NOVEMBER 1956

The Mortgage Banker

MBA's 38th president in the Association's 43rd year takes the gavel of office as a new administration begins at the 43rd annual Convention in Chicago. John C. Hall of Birmingham, newly-elected vice president, is there while John F. Austin, Jr., Houston, accepts the symbol of office from Lindell Peterson of Chicago, retiring president.

MORTGAGE BANKERS ASSOCIATION OF AMERICA · MBA · ORGANIZED 1914

in this issue — TIGHT MONEY, AND WHAT SEVERAL PEOPLE THINK ABOUT IT ★ REPORT FROM CHICAGO ON THE CONVENTION

MBA 1957 Calendar

January 17-18, Mortgage Servicing Clinic, Bellevue-Stratford Hotel, Philadelphia

January 22-24, 1957, Senior Executives Conference, New York University, New York

January 27-29, Senior Executives Conference, Southern Methodist University, Dallas

February 20-21, Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago

February 22, Board of Governors Meeting, Conrad Hilton Hotel, Chicago

March 14-15, Mortgage Servicing Clinic, Statler Hotel, St. Louis

March 21-22, Southern Mortgage Conference, Hotel Roosevelt, New Orleans

April 15-16, Eastern Mortgage Conference, Commodore Hotel, New York.

April 25-27, Southwestern Mortgage Clinic, Paradise and Jokake Inns, Phoenix

May 15, Board of Governors Meeting, Golden Gate Hotel, Miami Beach.

May 16-18, Southeastern Mortgage Clinic, Golden Gate Hotel, Miami Beach

May 23-24, Mortgage Servicing Clinic, Statler Hotel, Los Angeles

June 23-29, School of Mortgage Banking, Courses I and II, Northwestern University, Chicago

June 30-July 6, School of Mortgage Banking, Course III, Northwestern University, Chicago

July 28-August 3, School of Mortgage Banking, Course I, Stanford University, Stanford, California

August 4-10, School of Mortgage Banking, Course II, Stanford University, Stanford, California

November 4-7, 44th Annual Convention, Statler Hilton Hotel, Dallas

The Mortgage Banker

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Volume 17 **NOVEMBER, 1956** **Number 2**

Contents

How to judge the resale value

One of the major considerations when buying a new home is resale value. While most people buy that new home "forever," circumstances sometimes force a family to sell. Then, resale value becomes a concern to both the family and the mortgage lender.

United States Steel Homes have proven consistently high in resale value. This value is built right into the homes through the high degree of quality made possible by the most modern manufacturing methods . . . the low maintenance costs . . . the convenient planning . . . the lasting beauty.

These homes retain their appeal and high resale value. They are built by successful, experienced builders of quality homes. This makes the banker's mortgage a safer, more sound investment.

The Ohio Valley

THE *stymied* STORM

This is a picture of a storm huffing and puffing but definitely *not* blowing a house down.

That's why your mortgage money is safe when invested in a concrete masonry house. When nature has done its worst, the house is still there.

For example, on September 18, 1926, when a hurricane roared into Florida at 125 miles an hour, it did millions of dollars' damage to homes in the Miami area. But in the face of such an extraordinarily destructive force, concrete masonry proved its unmatched storm-resisting qualities.

In Coral Gables 93% of the 3500 buildings were concrete masonry. These buildings, erected in accordance with provisions of the local building code, came through the storm without a single case of destruction.

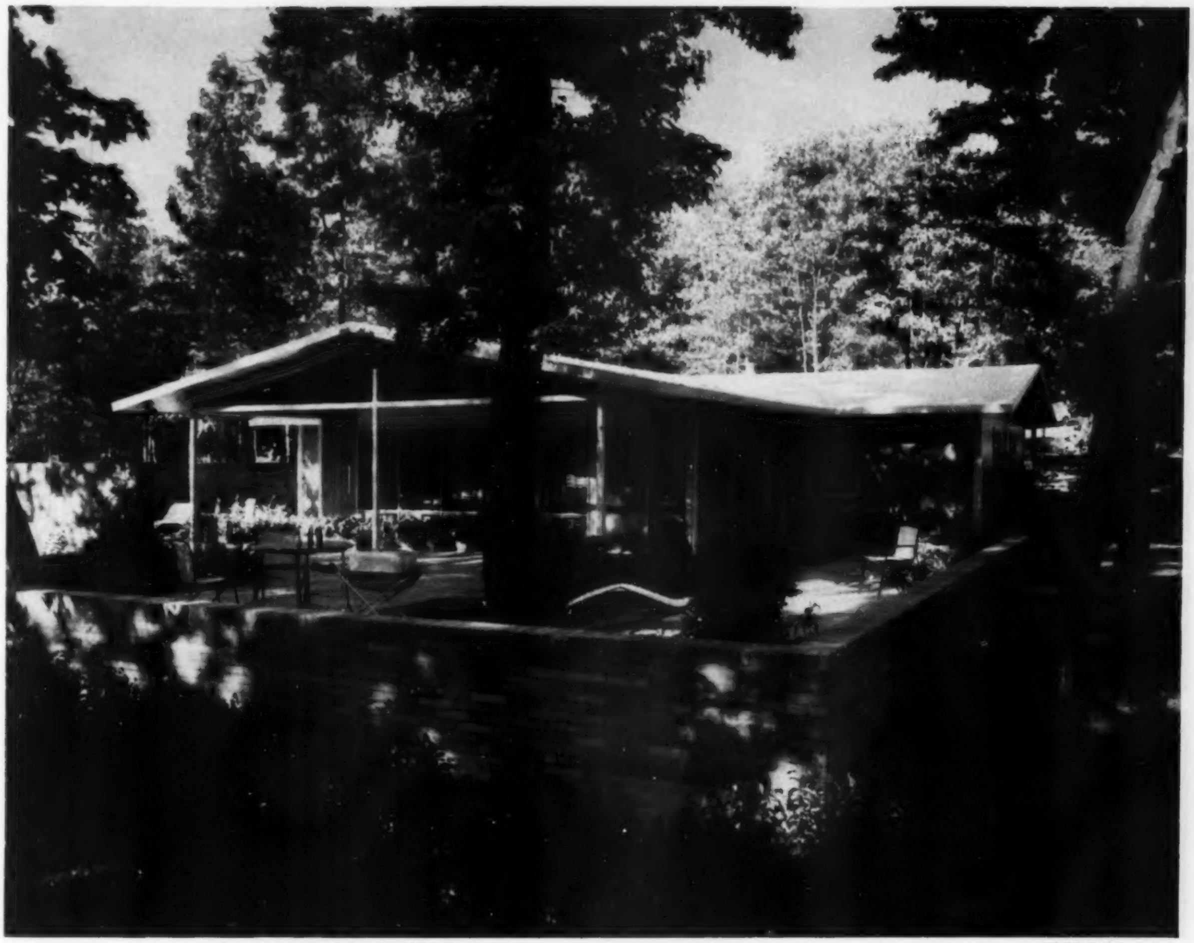
Storms are not the only causes of damage to houses. Fire, decay and termites can cause heavy loss—but not in concrete masonry houses. Concrete can't burn. It can't decay. It can't be eaten by termites.

Granting that insurance protects the mortgagor against loss, the fact remains that insurance does not protect him from the headaches of adjustment. How much better to have your mortgage money secure in a sturdy concrete masonry house, where it keeps on earning continuously.

Another point to consider is high repair bills. They can make mortgage payments a real burden for many home owners. Concrete masonry houses require very little maintenance. Their resale values are high. Storm-safe, firesafe, termite-proof, economical to maintain—what an array of advantages for you to consider when looking for safe mortgages.

PORTLAND CEMENT ASSOCIATION **33 West Grand Avenue, Chicago 10, Illinois**

A national organization to improve and extend the uses of portland cement and concrete through scientific research and engineering field work



National Homes Mortgages

ARE SOUND LONG-TERM INVESTMENTS

The attractive designs and practical floor plans of all National homes are created by Charles M. Goodman, AIA, the country's foremost residential architect. With dozens of basic plans and hundreds of design variations, our builder-dealers offer homes of greater salability . . . assure continuing satisfaction of home ownership . . . and protection of property values. These attractive designs, combined with quality construction, are among the many reasons why more than 600 banks, insurance companies, building and loan associations and other lending institutions—among them the largest in the country—invest in National home mortgages. National Homes Corporation, Lafayette, Indiana. Plants at Lafayette, Indiana; Horseheads, New York; Tyler, Texas.

ONE OUT OF EVERY 48 HOMES BEING BUILT IN AMERICA TODAY IS PRODUCED BY... nh National HOMES

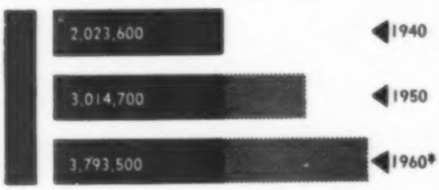
Mr. Greeley,

you were so right!

WHAT'S HAPPENING POPULATION-WISE?

Entire United States

Northern California area serviced by Sonoma Mortgage Corporation



* projection by U. S. Bureau of Census

‡ projection by Stanford University, Graduate School of Business

SONOMA MORTGAGE CORPORATION

SERVICING ALL NORTHERN CALIFORNIA
Centrally located in
SANTA ROSA, CALIFORNIA

Sonoma Mortgage Corporation, with more than $70,000,000 of existing loans in Northern California, is ideally situated to serve the most stable segment of the growing demand for mortgage financing. Locations, facilities, intimate knowledge based on experience, area-wide reputation for service and integrity - all contribute to the increasing flow of investment opportunities that pass through our doors.

HENRY TRIONE
PRESIDENT

JOHN D. LOCKTON

Portrait by Fabian Bachrach

Highways and Byways of Business

Mobile Homes Buck The Housing Trend

WITHOUT mortgage men being fully conscious of it happening, the prefabricated homes industry, in a short period of time, grew to such an extent that it was responsible for an important segment of total home building. The other day the first FHA-insured loan of a mobile homes park was made (by National Life of Vermont), thus calling attention to the fact that another new industry apparently has been making progress beyond what most people would have predicted a few years ago.

Congress provided for insuring of mobile home park loans by FHA in 1955, setting the total amount of insurance at $300,000 per park and $1,000 per mobile home space. Subsequently FHA set up regulations providing for loans up to 60 per cent of the value of the property including improvements.

Industry officials estimate that more than a half billion dollars is invested in the nation's 14,000 parks. An estimated 3,000,000 Americans now live in some one million mobile homes. Sales last year reached a record-breaking $435,000,000 for 101,900 units.

Retail sales this year will be close to one-half billion dollars, on the basis of sales for the first six months.

Sales for the first half totalled $249,056,864, as compared with $201,241,104 for the similar period of 1955, or an increase of 23.7 per cent.

Sales of mobile homes have continued to rise in contrast to the soft market which has been reported in standard housing so far this year. Despite the tight money market, adequate financing has continued to be available for mobile homes. While it appears that total bank money invested in installment credit may be diminished by the close of the year, this probably will not be the case so far as the mobile homes industry is concerned, industry officials say.

The mobile homes themselves have been increased in average size and in appointments during the past year. More than 34 per cent of the units being built this year are 45 feet or longer and 61 per cent are more than 40 feet in length, comparing with 20 per cent and 54 per cent, respectively, in 1955.

Insurance Companies Top Past Records

WHILE insurance in force continues its seemingly never-ending rise, so does the number of companies which issue it. Life companies in the United States numbered 1,144 on June 30 of this year, an increase of 81 in 12 months and 700 more than were in business in 1940. Main offices are located in every state of the union and in 277 cities.

Since 1940, life insurance in force in the United States has increased 240 per cent and the young western and southern companies have shown the greatest rate of gain in these years.

Life insurance companies located in the South and West now number 864, more than three times the number in 1940.

Leading life insurance city in number of companies is Dallas, with 124 main offices located there. Other leaders are: Houston, 70; Fort Worth, 38; New Orleans, 37; Phoenix, Ariz., 29; Chicago, 25; Indianapolis, 25; Philadelphia, 24. There are 10 or more company head offices in 28 cities.

Texas led the state list, with 348 companies domiciled there, other leaders including: Louisiana, 102; Alabama, 48; South Carolina, 39; Indiana, 38; Illinois, 36. Ten or more companies are located in 31 states and the District of Columbia.

Of the 1,144 companies, one-seventh are mutual and the rest are stock companies. Most of the larger, older companies are mutual, with the

result that 63 per cent of total life insurance in force is with the mutuals and 37 per cent with the stock companies.

At mid-year, 55 of the life insurance companies in this country had passed the $1,000,000,000 mark of life insurance in force and 16 of the companies were over 100 years old.

Since 1940, when there were 444 companies in business in the country, life insurance in force has increased from $116,000,000,000 to $393,000,000,000 on June 30; the number of policies from about 134,00,000 to approximately 260,000,000; the number of policyholders from about 65,000,000 to more than 103,000,000.

Colean's Forecast Is for a Good 1957

AS IN past years, the first comprehensive forecast for what is ahead in next year's building comes from Miles L. Colean. Homebuilding, he says in House & Home, has been weathering its 1956 squalls successfully, and next year should advance again both in dollar volume and number of new units.

"In 1957, house building expenditures will recover some of the ground lost in the 1956 setback and will again point toward the record level reached in 1955.

"Expenditures for new private dwelling units will come to around $13.8 billion, compared with a probable $13.35 billion in 1956. With government residential building for military and public housing added, the total should reach at least $14.1 billion.

"The number of starts, in private houses and apartments, will also be on the upturn; the figure will mount to the neighborhood of 1,150,000 and could go somewhat higher, depending on credit conditions and other factors. On top of this, government housing activities may add another 60,000 starts, bringing the total up among those of the high volume years."

Next year will bring the opposite of many of the influences that bore down upon the 1956 housing market, according to Colean. As a result of four particular factors, he predicts that "credit policy may lean on the neutral or easy side."

"This is not to forecast a soft money

situation like the one during the recovery from 1954's mild business recession. On the contrary, the market will remain firm, compared to that time, and interest rates will keep close to present levels. But funds will be more available and the tone of the market will seem more favorable to borrowers."

The four reasons he cites for believing there will be more mortgage money available during 1957:

» The Federal government will not be a net borrower. Another budget surplus is possible, despite the probability of a tax cut. In any form, a Federal surplus eases the pressure on the money market.

» Savings will increase. By the middle of 1956 total personal savings were estimated to be at an annual rate of $20.3 billion, the highest in any peacetime year. The prospect is for continued growth in 1957.

» Debt repayment will be accelerating, pouring a constantly growing volume of funds back into the investment stream.

» The demands of industry for capital funds will be less insistent. Although capital requirements are likely to be greater in 1957 than this year, the rate of expansion will be less and the program will be moving forward in a more orderly manner than it was in the early part of this year.

In addition to less stringent mortgage conditions, Colean's forecast lists a series of other factors that promise to make the 1957 housing market better than it was this year. Several of these encouraging notes calculated to boost builders' optimism:

"Inventories are in excellent shape. It is amazingly to the credit of both builders and mortgage lenders, that so drastic a readjustment as occurred this year could be accomplished without a heavy accumulation of surplus stocks. With comparatively few exceptions, stocks are not excessive. Vacancies in houses for sale average, nationally, close to an irreducible minimum of less than 1 per cent of all owner-occupied houses. During 1955 and 1956 the most common practice has been to sell from models and keep production closely in line with sales. So builders' capital has generally remained fluid and the industry is in a position to launch its 1957 drive with no heavy overhang.

"Volume of demolitions will increase as the highway program gets underway. This will help an already favorable inventory situation.

"Rate of family formation will be stable. The years of declining rate appear to have been passed, and while no substantial uptrend is in prospect for another nine or ten years, this factor at worst will be neutral rather than depressing.

"The suburban push will continue unabated. While we shall begin to see some urban renewal, results in 1957 will not yet be statistically impressive. The urban renewal influence will still be mainly on the side of removing worn out buildings rather than adding new ones.

"Family income will be on the rise. Already the 1955 estimate of an average family income of $5,520 (before Federal income taxes) has been passed. The rise during 1957 will be enough to assure further improvement in living standards on a per capita as well as a per family basis.

"The tax cut which was staunchly resisted in 1956 as part of the economic stabilization policy, is probable by mid-1957."

Colean has traced the various factors that caused the decline from a little over 1.3 million new private housing starts last year to only about 1.1 million expected by the end of this year.

While everyone has been asking "who killed Cock Robin?"—according to Colean, he is still a hardy, vigorous bird very likely to take off again very soon at his former pace.

"The current housing market has many resemblances to the current automobile market. In both cases 1955 sales were considerably higher than forecast on the basis of actual population and economic growth. In both cases, sales were souped up with an unsustainable volume of bank credit. In both cases, 1956 models were higher priced with relatively little added allure. In both cases, 1956 sales held up better for the used product than the new.

"Actually nothing killed Cock Robin. In all probability what happened was that he ran himself to exhaustion and had to catch his breath. The evidence is that he is now breathing easier and will be on his feet in another few months."

220 Gets Off Ground With First Approval

THE first FHA-220 assistance has been cleared for a Dallas neighborhood. The city has given assurance that it will provide necessary facilities and enforce building codes in an urban renewal project area known as "Little Mexico." Because of this assurance, property owners in the neighborhood are now eligible for FHA mortgage insurance provided by Section 220 to make credit available for the rehabilitation of older neighborhoods.

FHA Commissioner Mason said this is the first neighborhood in the nation to qualify for this type of FHA rehabilitation aid. He said that after the city decided to seek FHA assistance, the project was certified for 220 insurance within five months.

This speed was made possible because of recent streamlining of procedures for so-called "non-assisted" projects, that is, projects for which the local governments do not seek state or federal funds. The certification of eligibility making Section 220 benefits immediately available to property owners in this neighborhood is signifi-

cant to all cities concerned with the need to check the spread of slums through rehabilitation of older neighborhoods.

The plan provides for strict code enforcement. Unpaved streets will be surfaced, structures too far gone for rehabilitation will be demolished, necessary water and sewer lines will be installed and recreational and park facilities improved, all by the city of Dallas.

All dwellings in the area will be brought up to standards agreed upon by the city, FHA and the Urban Renewal Administration.

Of the 450 dwelling units in the area, 390 have been designated substandard. Most of them, said FHA, can be returned to sound condition through rehabilitation.

New FHA rules make possible increased "profit and risk" allowances for the builders of urban renewal housing projects financed by privately advanced, federally-insured mortgage loans. These rules give assurance of adequate equity investment by sponsors of the projects. A permanent cash investment amounting to at least three per cent of the actual cost will henceforth be required of sponsors of an urban renewal project financed under the terms of Section 220. This provision, coupled with requirements for cost certification and the use of independent cost accountants, will serve to assure the integrity of 220 operations.

No Let Up Is Seen For Shopping Center

The phenomenal growth of suburban shopping centers in the past ten years has stimulated sales in city retail districts as well as in the suburbs, says Time.

The new supercenters have become so big and diversified that they can vie on their own terms with downtown districts. With huge free parking lots laid out so that cars are never more than a few hundred feet from stores, decentralized centers spare their customers the fender-bending frustration of wrestling with city traffic. With an eye out for women drivers, one developer has even allotted 9-foot parking spaces vs. the conventional 8 feet.

Realizing the lure of the mushroom-

ing centers, established merchants have become better salesmen and promoters. They have offered a wider assortment of goods with wider price ranges. Many downtown store owners open shopping center branches, say that they are thus able to attract new customers, most of whom inevitably visit the parent store.

Many cities sales are higher than ever. Despite some 15 major shopping centers around Houston, business-district sales last year were 17 per cent above 1954 levels. In the fight for the shopper's dollar, downtown merchants have also been helped by the bad planning and high operating costs which often plague suburban developments, e.g., Framingham, a $7,000,000 shopping center outside Boston which went bankrupt in less than two years.

Burgeoning shopping centers have also spurred expansion of downtown stores. Shortly before the opening last month of Houston's $20 million Gulfgate (biggest supercenter in the South, with an anticipated first-year gross of $60 million), three floors of a four-story addition were complete at Foley Brothers, the only major Houston department store without a single suburban branch.

Allied Stories Corp., which owns 32 department stores in Eastern cities, is spending $250 million for expansion of shopping-center branches. Allied is also investing $3 in its downtown facilities for every $1 it is putting into suburban centers. Allied's Board Chairman B. Earl Puckett doubted that "more than 20 per cent-25 per cent of our business will be in the suburban shopping centers."

Suburban supercenters continue to spring up all over the U. S. In recent weeks three mammoth developments opened for business outside Baltimore, Washington and Minneapolis. Together they represent a total investment of $60 million.

One of the biggest believers in the future of the shopping center is Jim Rouse, whose Baltimore mortgage banking firm has helped develop 33 shopping centers from Toronto to Omaha. Through complex market research, Rouse not only decides where to build a new shopping center but can estimate in advance the revenue per square foot. He plans to reverse the suburban procedure by building two downtown centers, in Easton, Md. and Charlotte, N. C., to augment central shopping districts that have never been able to capture their full potential trade volume.

Rouse believes that shopping center design is still in its infancy. Ultimately, he predicts, the big retail centers will all be weather-controlled and glass-enclosed, allowing store owners to dispense with display windows and open their counters, bazaar-fashion, to passers-by. Says Rouse: "The well-

planned, well-managed shopping center is more than simply a new plan for retail expansion. It represents a massive reorganization of the urban community."

Study Shows Severe Money Shortage

Not at all surprising, the trend is to the conventional loan as of now, says NAREB's current survey of the mortgage market. Predominance of the conventional mortgage was ascribed to the ever-increasing selectivity shown by a dwindling number of investors in the residential mortgage field and the emergence of yield as determining factor in investment.

Other developments disclosed:

» A trend of the generally prevailing interest rate on conventional mortgages to rise above the 5 per cent level.

» Increasing reluctance on the part of all types of lenders to make loans on mortgages with long-term maturities— 30-year loans guaranteed by VA with even a 10 per cent down payment are finding no financing available in 50 per cent of the communities surveyed, for example.

» A continuing willingness on the part of many local lending institutions to continue to meet the mortgage loan needs of purchasers and builders in the community who are known to them and have long-established credit ratings and depositor relationships in contrast to the reaction of national investors who lack these community ties.

» A sharp increase in discounts charged in connection with FHA and VA loans during the last quarter, with changes occurring so rapidly in many areas that rate quotations were said to have only transitory use.

With respect to conventional loans, the September survey found the supply of funds "ample" for new houses in 27 per cent of the reporting communities, "moderate" in 49 per cent of the country, and "tight" in the remaining 24 per cent of the nation. Comparable percentages for the June survey were 42, 40, and 18.

Conventional loan availability on existing houses built since 1940 was reported to be "ample" in 19 per cent of the nation, "moderate" in 49 per cent, and "tight" in the remaining 32 per cent. In June the corresponding percentages were 33, 48, and 19.

Existing houses built in 1940 or before were found to enjoy "ample" conventional loan funds in only 12 per cent of the country, "moderate" in 40 per cent, and "tight" in 48 per cent. Related June percentages were 22, 48, and 30.

Most prevalent conventional loan interest rates for new houses were found to be 5 per cent in 45 per cent of the communities surveyed, between 5 and 6 per cent in 35 per cent, and 6 per cent and above in 18 per cent of the United States. Comparable June percentages were 58, 22, and 13.

With respect to houses built since 1940, conventional loans were available with a prevailing interest rate of 5 per cent in 27 per cent of the country, between 5 and 6 per cent in 42 per cent, and 6 per cent and above in 30 per cent. Last June, the related percentages were 45, 30, and 22.

Houses built in 1940 or before could get conventional loans at a prevailing rate of 5 per cent in 15 per cent of the United States, at between 5 and 6 per cent in 32 per cent, and at 6 per cent or over in 53

per cent of the nation. In June the corresponding percentages were 24, 30, and 45.

Noting that in one 1955 month conventional home loans represented only 55 per cent of total mortgage recordings, the NAREB report observed that such loans have stood at 70 per cent of the total every month this year since May.

"The scarcity of loan resources and the upward trend of competing interest rates," the survey said, "have influenced noticeably the market for FHA-insured mortgages."

In most cases, this influence has taken the form of the lower availability of loan funds, rising discounts demanded by lenders, and a "strong disinclination on the part of individual owners selling existing houses toward FHA financing." This loss of favor by FHA financing is attributed to the rising discounts. "Sellers question a transaction which necessitates their absorbing, as a sales cost, an expense of borrowing (the discount) which appears more appropriately the responsibility of the buyer-mortgagor," the report noted.

In March, discounts of three points or more were characteristic of only 10 per cent of the reporting communities if the security was a new house and 18 per cent of it was an existing unit. By September, the survey found, these discounts were prevalent in 48 per cent of the areas for loans on new structures and in 58 per cent for those on existing ones. Discounts of three and a half, four, and five points were frequent.

In terms of availability, FHA-insured loans on new houses in Septem-8 per cent of the nation, "moderate" in 38 per cent, and "tight" in 54 per cent. Comparable percentages for June were 23, 42, and 35.

FHA-insured loans on existing houses were in "ample" supply in just 6 per cent of the country in September, in "moderate" supply in 32 per

cent, and in "tight" supply in 62 per cent. In June, the related percentages were 19, 39, and 42.

VA loans have felt the impact of the dwindling supply of loan money available for home financing more sharply than any other loan category.

"Higher interest rates obtainable on sound, modest-term conventional mortgages have attracted further attention away from the VA loan with its characteristic low equity, long term, and 4½ per cent interest rate," the survey reported.

Some communities included in the survey have reported the "complete disappearance" of money for VA mortgages. And while loan resources have diminished for all classes of veteran borrowers," they have deteriorated most drastically for those purchasing with the longest term and the least down payment," the survey concluded.

Discounts of more than three points are reported in many communities, particularly with respect to 30-year-term, low-down-payment mortgages.

Illustrative of the depressed nature of the VA-guaranteed mortgage market are the following survey returns:

For 20-year mortgages with a 2 per cent down payment, 48 per cent of the nation reported no finance funds available; mortgages of the same term but with a 5 per cent down payment face a similar situation in 29 per cent of the country; and mortgages of this term offered with a 10 per cent down payment find no financing available in 13 per cent of the areas surveyed.

Mortgages with a 30-year term and a 2 per cent down payment find no funds in 66 per cent of the nation; the same term mortgages with a 5 per cent down payment face a similar lack of funds in 56 per cent of the communities surveyed; and with an increase in the down payment to 10 per cent, these mortgages still find no financing available in half of the localities surveyed.

The new highway program will prove to be the greatest boon to the central business districts of our cities of the last decade, says the U. S. Chamber. The central business district is now and always will be the favored place to shop—if it can be reached easily.

Farm Loans Made in First Half Up Some

Estimated amount of farm mortgages recorded during the first half of 1956 totaled $1,359 million, 2 per cent larger than the $1,334 million estimated for the first half of 1955. The 1956 figure, however, exceeds any six months period since records on recordings were started in 1934. The amount was lower in four Farm Credit districts—Springfield, St. Louis, St. Paul and Houston. The other eight districts showed increases ranging from 2 to 27 per cent compared with the first six months of 1955.

The number of farm mortgage recordings was 8 per cent less for the country as a whole in the first six months of 1956 compared with the corresponding period of 1955.

Miscellaneous lenders showed the largest increase in dollar amount of loans, up 18 per cent. Federal land bank loans increased 10 per cent, and insurance companies 7 per cent. Banks

and trust companies showed a decrease of 8 per cent and individuals 6 per cent.

Loans made by the Federal land banks in the first six months of 1956 accounted for about 21 per cent of the estimated total farm mortgages recorded compared with 19 per cent for the similar period in 1955. This was the largest proportion accounted for by the Land Bank System during any six-month period since 1936 except for the last 6 months of 1955. The proportion accounted for by insurance companies and miscellaneous lenders also increased while that of banks and individuals was slightly less than in the first six months of 1955.

The average size of loan continued to increase. Increases amounted to 16 per cent for miscellaneous lenders, 14 for insurance companies, 11 for the land banks, 8 for banks and trust companies, and 4 for individuals.

The average size of recordings for the first six months of 1956 was $7,870 compared with $7,090 for the corresponding period of 1955.

A Correspondent Speaks His Mind

THE bane of the correspondents' existence is the rejection or alteration of a loan submission. Not only is it harmful to him, it also has a bad effect on the institutional investor and the prospective borrower or client as well.

It is the duty of the correspondent to present to the institutional lender only those loans which, after thorough and conscientious screening, are found to lie within the lending pattern prescribed by the investor. But what is this pattern?

It is especially disconcerting to submit a loan which is in keeping with both the written underwriting principles and past performance only to have it refused or changed on the basis of new or previously unannounced regulations. Policy changes are understandable and often inevitable—but the correspondent is entitled to notification. The alternative procedure is analagous to the small boy who owns the football — and makes up the rules as the game progresses.

Investors, do not keep the matter of property qualifications, credit restrictions and loan quotas to yourselves. Let your correspondent know exactly the types of loans you want, and he will do his best to deliver them to you.

» MORE CARS: By 1965 there will be 85 million automobiles in America travelling 85 billion miles a year, the National Parking Association estimates. From 1946 to 1956 auto registrations soared from 29 million to 61 million. During this same postwar period more and more persons started abandoning public transportation in favor of the private auto for that trip downtown. In 1956 approximately one billion dollars was invested in downtown parking facilities in the cities of this nation; today the investment is four and a half billion and in 1956 alone the industry is spending $350 million on new construction.

How Well Can Our Monetary Affairs Be Controlled?

A Look at Today's Hottest Problem *by Marcus Nadler*

Despite the millions of words being written and spoken about tight money, relatively few people understand what is going on before their eyes. Even fewer appreciate that developments of today are taking place on a scene vastly different from that which existed when the Federal Reserve System was set up more than 40 years ago. Thus, suggests Dr. Nadler, are the powers which the Federal Reserve enjoys sufficient to do what needs to be done? He's not sure; but before the Forum of Finance, he has submitted the proposition that we ought to be finding out.

THE policy of active credit restraint followed by the Federal Reserve System has been in operation for a year. We know the reason for the policy: Industry was operating at capacity and the Board felt there is no use permitting an increase in the money supply because it could lead only to an increase in prices.

Marcus Nadler

More recently the policy was accentuated to prevent corporations from utilizing the facilities of the banks instead of savings. Now, since this policy has been in operation for over a year, it is of importance to inquire: how successful is it?

That is question number one. Question number two is: can the Federal Reserve System, with the powers at its disposal, really operate successfully, and if not, what should be done?

A study of the record of what has taken place during the last year indicates that the Federal Reserve was capable and achieved the ultimate objective of preventing an increase in the money supply; but the volume of loans increased considerably in 1955 as well as in 1956, and the reason why deposits did not increase is simply because the banks sold government securities and thereby brought about a reduction in the volume of deposits. The fact remains that the volume of loans continued to increase.

Second, consumer loans, in spite of the efforts to curb them, have continued to increase and at a new high record.

Third, although some large corporations deferred or delayed their offering of securities, most corporations obtained the capital that they wanted, as is evidenced by the fact that the total volume of securities—bonds and stocks—publicly offered as well as private placements, in the first half of 1956 was higher than a year ago.

Fourth, commodity prices continued to increase. Finally the volume of inventories also continued to rise.

The only important segment of industry, outside of automobiles, which showed a decline, is in the home building field. There it was more due to the fact that the home-financing agencies insisted on some down payment on mortgages. The veteran was used to receiving a bonus when he signed the contract upon buying a house; now, instead of receiving a bonus, he actually has to make a down payment and that is not so attractive as it was before.

Therefore, the policy of active credit restraint, while it worked in a way, did not achieve the desired results. The question arises, why?

The ideas embodied in the Federal Reserve Act are the same as found in the central banks of Europe. The Federal Reserve System was established in 1913 when the ideas of the mid-19th century were still prevalent. The world at large was on the gold standard. The most important countries adhered to it. The principal function of the central banks in those days was to maintain the gold standard. The credit policies of a central bank were determined by the movement of gold and by nothing else. The central banks were not under any obligation to pay close attention to business activity or to employment. The budgets of most countries were balanced. The public debts of all the countries, with the exception of France, were relatively small. The problems, therefore, that confronted a central bank

were infinitesimal and the most important power at their disposal was the discount rate.

Open market operations in those days were practically unknown. Raising or lowering the reserve requirements weren't invented yet. Consumer credit played no important role. Management of the public debt hadn't been heard of. Under these circumstances, to be a central banker was a very easy job. These ideas predominated at the time the Federal Reserve Act was passed.

Since passage, two major amendments were made, in 1933 and in 1935; and, from the great credit inquiries that were held at that time, the most important thing in the minds of the Congress was to prevent another major depression.

Look at the situation today. The public debt is tremendous and has become a very important factor in our economy.

The policy of the Federal Reserve has been effective to some extent because the banks, particularly the large banks, have no liquidity. One large American corporation has more bills than all the New York banks put together, and there are some very large banks that don't have any bills. But, just as sure as anything can be, the time will come again when money will be easy, when the banks will have excess reserves, and, in all likelihood, they will use these excess reserves in order to increase their liquidity. They will be large buyers of bills; and when the time comes for the Federal Reserve to tighten credit and if the banks have ample liquidity at their disposal —namely a large amount of Treasury bills—they will be practically independent of the Federal Reserve.

The Bank of England found it out a few years ago when, to make its credit policy effective, the government had to carry through a refunding operation to reduce the amount of short-term Treasury bills outstanding because large liquidity at the disposal of the banks interferes with the effectiveness of credit control by the central bank.

Consider the role the insurance companies are playing today, not only as buyers of securities in the open market, but as underwriters, through private placements, of loans. The insurance companies have assets of nearly $90 billion and they are increasing at the rate of $6 billion annually. This $6 billion probably, before long, will become $7 billion and $8 billion.

"Look at the changed character that has taken place in the nature of savings. The savings of the nation today have changed in many respects. First, they have become more contractual in character. If I buy a life insurance policy I am saving, but it is a contractual saving; if I had a mortgage on my home I am also saving in a negative way. The direct savings of the nation, to a large extent, have become investments. Savings isn't what it used to be when the family put aside $2 every week to have something for a rainy day. Look over the accounts of the large New York savings banks and you will find many of $10,000. That isn't savings. That is in the nature of investment. And yet the Federal Reserve has absolutely no control over it."

Look, for example, at the changed character that has taken place in the nature of savings. The savings of the nation today have changed in many respects. First, they have become more contractual in character. If I buy a life insurance policy I am saving, but it is a contractual saving; if I had a mortgage on my home I am also saving in a negative way. The direct savings of the nation, to a large extent, have become investments. Savings isn't what it used to be when the family put aside $2 every week to have something for a rainy day. Look over the accounts of the large New York savings banks and you will find many of $10,000. That isn't savings. That is in the nature of investment. And yet the Federal Reserve has absolutely no control over it.

Look at the changed position of mortgages. Because of the FHA and VA, mortgages have become, to a considerable extent, riskless assets. A mortgage insured by the FHA, or that portion of a home mortgage guaranteed by VA, is, for all practical purposes, a riskless asset. It rests on the credit of the government or of an agency created by the government. Therefore the banks have found in mortgages a new outlet for funds, notably savings deposits.

There is keen competition for savings taking place all over the country. In the East there is keen competition between the commercial banks and the savings banks. The savings and loan associations don't play such an important role, because they are overshadowed by the huge savings banks. Savings banks are in existence only in 17 states. In all others there are savings and loan associations, and they are advertising "We are paying this rate of interest, insured by . . ." Competition for savings is keener today than ever before.

Look at the volume of consumer credit and the role it plays. At the time the Federal Reserve Act was passed, consumer credit played no role whatsoever. Banks did not engage in consumer credit because it wasn't a self-liquidating paper. Today the ability of the individual to earn a regular income is a good collateral for a loan. Personal credit and personal indebtedness has increased to a tremendous extent and yet, can consumer credit be regulated through quantitative credit control, as some economists have maintained?

Some economists have maintained that the Federal Reserve doesn't need any power other than quantitative power. Make money tight enough and you will also reduce the flow of credit that goes for financing the purchase and sale of durable consumer goods.

Is it so? I doubt it.

Thus, there are great differences in conditions as they exist today as compared with those when the Federal Reserve Act was passed and when the major amendments to the Federal Reserve Act were made.

In view of these changed conditions, what are the powers at the disposal of the Reserve banks to influence the money market and business activity?

First is the power of the Board to raise or lower reserve requirements, and that is an emergency power. Throughout 1955 and 1956, in spite of the efforts of the Federal Reserve to make money tight, to reduce the availability of bank credit, to increase the cost of money, the reserve requirements remained unchanged because

raising the reserve requirements is a drastic measure which gives the economy a very severe jolt.

Lowering of reserve requirements is bound to take place in the future when the Federal Reserve makes available additional reserves in order to make possible the secular growth of the economy of the country.

Therefore, one of the most important instruments of credit control, the changing of reserve requirements, is an emergency measure, to be used rarely—and it has been used only rarely.

Then we have the open market operations. Through open market operations the Federal Reserve is in a position to influence the availability and the cost of credit, but for reasons that are well known, the Federal Reserve has restricted its open market operations to bills only—and that, at times, has rather peculiar effects. It happens—as it happened, for example, early in the summer—that the monetary authorities, for some reasons, had to make money easier. The Federal Reserve bought bills in the market. At the same time some corporations offered some securities in the market — they had a whole lot of money at their disposal for short-term investments. The corporations also went into the short-term market to buy bills.

On the one hand there was a great pressure on the capital market for long-term funds and long-term rates went up; at the same time the supply of short-term funds was great and was further accentuated by the open market operations of the Federal Reserve. If you look at the movement of Treasury bills you will note how they gyrate. I believe there is room for a careful study as to whether the bills-only policy, which is based on the operations of central banking under a gold standard, fits in under present economic and social conditions. At least there is a serious question as to whether the bills-only policy is the correct policy or not. I agree with Allen Sproul, former President of the Federal Reserve Bank of New York, that the bills-only policy is a mistaken policy, but the Board adheres to it.

The cost of money today is not as important as it was before. If you are the treasurer of a corporation and have to pay 52 per cent income taxes to the Federal Government and some income taxes to the State of New York, you begin to figure out that payment of interest is tax-deductible. You say, "Money costs me hardly anything at all." These high corporate rates are, at least in part, responsible for a sharp increase of indebtedness, because under present conditions it certainly is cheaper to finance the capital needs of a corporation through bonds than it is through stocks.

"In a period of declining business activity the Treasury doesn't want to compete with business, and in a period of rising business activity, particularly when the demand for capital is very great, corporations and other investors aren't interested in government securities. We ought to get away from befuddled ideas and look less to the past and more to the future. Some think that if we returned to the gold standard all our ills would be cured. Does the gold standard fit in a dynamic age such as we are living in at present? Could a gold standard work in the present economic and political conditions? Because, in the past, the gold standard worked and all the great works on central banking were written at a time when the gold standard worked, does it mean that we have got to follow it slavishly?

Changing the discount rate is important. When it is changed it is a signal to the community at large as to what the policy of the Reserve authorities will be. Last April the Federal Reserve raised the discount rate and the newspapers had it that there was some disagreement between the Treasury on the one hand and the Board on the other as to whether the discount rate should be raised or not, and the question that arose was, why should there be a disagreement over one-quarter of 1 per cent? The answer is simply that in April, when the Federal Reserve raised the discount rate to 2¾ per cent, it gave notice, particularly to the banks, that the credit policy will continue to be one of active restraint and that the Reserve authorities will continue to press on the availability of bank credit.

Recently the discount rate was raised to 3 per cent. It was a confirmation that this policy will continue. If business activity should show some signs of weakness and the discount rate is lowered from 3 per cent to 2¾ per cent, the significant part will be not that the discount rate has gone down by one-quarter of 1 per cent but rather it will be notice that the Federal Reserve is aware that business activity is softening and that it will do what is within its power to keep business healthy and provide the necessary reserves.

But in spite of all these changes that are taking place in our economy, the powers of the Reserve are about the same as they were prior to 1913 if we eliminate the changes in the reserve requirements.

What powers should a Board have under present conditions to fulfill the functions imposed on it by the Employment Act of 1946? Should the Board have powers only to influence the availability and cost of credit or should the Board have also qualitative powers to influence individual segments of the economy of the country without influencing the entire economy as a whole? I have in mind these questions:

» Should a Board be given powers to regulate consumer credit?

» Does the Board need powers to regulate real estate credit; or, if the Board cooperates with the home financing agencies and with the Federal Home Loan Board and banks, is this sufficient? Something like Regulation X is not needed, but it is a question that should be carefully investigated. Would it be advisable to give the power to the Board to regulate selectively real estate credit?

» Should the Board have the power to regulate term loans?

» Another question is what impact do the investment policies of life insurance companies, pension funds, and other eleemosynary institutions have on the economy of the country? The resources at the disposal of these institutions are tremendous and will grow in importance. The question arises:

» How far-reaching are their powers? How do they influence the economy of the country? In the interest

(Continued on page 35)

November 26-30 Is

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For Solicitation of Funds to Further the Work

THESE ARE THE TEAM CAPTAINS WHO WILL DIRECT THE CAMPAIGN DRIVE . . . GIVE THEM YOUR SUPPORT AND CONTRIBUTION

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CAMPAIGN WEEK

of the Research and Educational Trust Fund of the Mortgage Bankers Association of America . . . . . THIS IS AN OPPORTUNITY TO ASSURE A BETTER FUTURE FOR YOUR BUSINESS

For the past three years a project which holds great promise for the betterment of the mortgage industry has been developing under the guidance of MBA. It is the RESEARCH AND EDUCATIONAL TRUST FUND OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA, a charitable, non-profit trust organized to undertake research projects of benefit to the industry and widen the educational opportunities for coming generations entering the mortgage field. The scope of activity which the Trust Fund has set includes anything in the field of research and investigation affecting the mortgage industry where there are little or no facts available now. The industry has, until recent years, been adversely affected by the absence of essential statistical data to serve as guideposts for conducting a mortgage business. The Trust Fund's goal is to get these facts.

In education, its field will be equally wide. It intends to see that more courses in mortgage lending are offered in colleges and universities, that young men and women will have a better opportunity than they do now to select the mortgage industry for a lifetime career and that the literature on our industry is greatly expanded.

During this initial three-year period, entirely satisfactory progress has been made. The ground work for what is ahead has been done. In addition, the Trust Fund has sponsored the Educators Conferences at the University of Michigan in 1955 and the University of Colorado in 1956 where leading business school deans and faculty members have heard the modern mortgage industry described and interpreted.

During this period no general solicitation of funds has been made. Now, November 26-30 has been proclaimed as TRUST FUND CAMPAIGN WEEK. The 12 regions into which the MBA membership falls have been organized with a Team Captain for each.

Your contribution to the work of the Trust Fund is cordially solicited. Any amount will be welcome and it is tax exempt. When you contribute to the Trust Fund, you are taking an important step to assure a better future for your business because the results that will come from the Fund's efforts will accrue directly to you.

THE CURRENT THREAT TO THE DOLLAR ISN'T THE FEDERAL RESERVE'S FAULT

THE current threat to the value of the dollar cannot be traced to the fiscal policy of the Government. Federal expenditures have been relatively stable for the past two years, and a substantial cash surplus was achieved in fiscal 1956. Rather, it is non-Federal buying financed, in part, by "deficit spending" which has pushed aggregate demand beyond the limits of physical capacity. In 1955, net non-Federal debt outstanding rose by $50 billion or 13 per cent. Only once before, in 1950, was there a rise comparable in magnitude, and that development was triggered by the outbreak of hostilities in Korea.

G. W. Mitchell

The willingness of borrowers to incur obligations at such a rate, and the ability and willingness of lenders to make the funds available were responsible for promoting the boom of 1955-56. The potential for such a movement had been present throughout the postwar period.

Why did it occur in 1955?

It is easy to overstate the importance of the psychology of decision makers in determining the level of business activity, to push the idea to the point of suggesting that "wishing will make it so," regardless of underlying strengths and weaknesses. Nevertheless, it is apparent that the cumulative experience of the postwar years has served to insulate the body economic from shock and strengthen confidence in continuous prosperity. In 1946, 1949, 1954 and again in 1956 the economy has demonstrated a resistance to depressing influence which has steadily assuaged lingering fears that we have been enjoying a "false prosperity." A lonely voice still refers to the present structure as "a house of cards," but there are few sympathetic hearers.

The "new era" philosophy has been slow to catch on. Too many people remembered the false hopes voiced a generation ago. But the experience

By **GEORGE W. MITCHELL**
Vice President, Federal Reserve Bank of Chicago

Is that right—the Federal Reserve really isn't to blame for the most severe credit stringency seen in more than 20 years? It isn't right if one cares to go along with the opinions being expressed by many congressmen, labor leaders, builders and various assorted people in the economy who have the means to get themselves heard. Many of these lay tight money directly at the door of the Federal Reserve and they want to do something about it. Actually, and realistically, the matter can be reduced to relatively simple terms, as Mr. Mitchell points out: Buying, financed in part by deficit spending, has pushed demand beyond the limits of physical capacity. If let alone, the country would face serious economic consequences. And that is what the Federal Reserve is trying to avoid. Mr. Mitchell outlined these views before members of the American Statistical Association in stating the case for the long-term benefit of the policies being followed today.

of recent years has been that the bolder spirits have reaped the greatest benefits in the form of profits or the acquisition of capital assets at price levels lower than those now prevailing. Increasingly, decision makers in business firms, financial institutions, state and local governments and households have shown a willingness to "stick their necks out," rather than be left behind on the road ahead.

The McGraw-Hill organization has accumulated evidence on the pronounced trend toward long range planning for future expansion by business firms. Business firms and municipalities have overcome long standing prejudices against debt to finance expansion or to provide desired public improvements. Individuals are more willing to capitalize future earning potential as they incur mortgage and instalment debt. On the other side of the ledger, lenders have gradually substituted more liberal rules of thumb for determining the safe proportion of risk assets in their portfolios.

The willingness to incur debt and to stretch out the period of repayment is intimately tied to the more-or-less, continuous decline in liquidity of the private economy which has been under way since the end of World War II. During the conflict only half of the Government's outlays were matched by taxes. The resulting Government debt, whether purchased by consumers, businesses, banks, or other financial intermediaries, enormously swelled the money or near money position of the private sector of the economy. At the same time consumers, businesses, and state and local governments debt was being paid down and wartime restrictions were creating a backlog of demand for investment goods and consumer durables.

From 1945 to date, business has spent about $250 billion on new plant and equipment. More than 11 million new homes have been built. Consumers have purchased about 50 million new cars and a multitude of other durables. State and local governments have been clearing off their shelves of public works while raising their sights on the quality and quantity of community facilities appropriate to the "new era."

In acquiring these physical assets, strong liquidity positions in all sectors of the private economy have been pared, either absolutely or relative to assets or obligations. Luckily, not all holders of cash and securities decided to run off their reserves at the same time. If they had, the inflation problem would have been greatly magnified. Indeed, the fervor of the belief in some quarters that what had gone up would come down sooner or later probably was one of our most potent stabilizers in the early postwar period.

"It seems safe to say that in 1957 the spotlight will be focused on the nation's savers, investors, and its monetary system more sharply than ever before. Current evidence indicates that capital formation is now proceeding at a faster rate than the economy can support without threatening the stability of the dollar. In the past year especially, financing this rate of outlay has brought a considerable deterioration in liquidity position of consumers and businesses. In the months ahead, efforts will undoubtedly be directed at preventing any further deterioration, if not, in fact, at rebuilding liquidity positions.

"Now that individuals, businesses, commercial banks and other financial institutions have strained their own resources to the maximum, attention may be increasingly directed toward the lender of last resort—the Federal Reserve System. The powers of the monetary authorities to keep an effective rein upon the expansionary forces within the economy doubtless have been enhanced by recent liquidity changes. Still monetary policy works more smoothly and effectively when borrowers and lenders recognize the symptoms of inflation and are prepared to share the responsibility for remedial measures. At the moment it is too early to know whether consciousness of this responsibility, an intuitive desire for liquidity, or more aggressive action by the monetary authorities will play the major role in the coming months."

The decrease in liquidity can best be documented in the case of the business community. At the end of 1945, all non-financial corporations possessed cash and securities in an amount about equal to current debt. Today current obligations are double the holdings of liquid assets. Moreover, the securities portfolio of today is less liquid in the minds of corporate treasurers because of recent price declines in Government securities. In much of the postwar period, the steady drop from uselessly high levels of liquidity was painless and voluntary. But more recently, accompanying the change in businesses' long-run expectations about economic stability, changes in tax payment requirements, working off of amortization allowances and higher working capital requirements, liquidity has suddenly become a number one problem. The extent of this "dehydration" of business in the face of expanding investment and rising prices was dramatically illustrated by the tax borrowing which occurred in March and June of this year. In March, business loans rose by $1.5 billion and June saw another jump of $1.1 billion. Business firms, more and more, have had to overcome a long-standing reluctance to incur debt. In some cases, strong, well-known firms have had to arrange last minute financing after a belated recognition that retained profits and depreciation money, together with a dip into the till, would not pay the tab for current expansion programs.

In the first half of 1956, security issues for new capital reached a record $4.9 billion — one-sixth greater than

during the same period last year. Business loans at weekly reporting banks rose by $2.2 billion, almost half again as much as the contra-seasonal rise in the first half of 1955.

For the first time since the 1920's the financial officer in business has resumed his place on the top management team. The question of "where is the money coming from" is once again relevant and is all important in some cases.

Developments among consumers, judging from such data as are available, have paralleled those of private business. In 1945 liquid asset holdings of individuals amounted to almost six times outstanding consumer and personal mortgage indebtedness. That ratio has declined in each postwar year and now stands at 1.5. Needless to say, that here, even more than in the case of the business sector, those holding the assets are not identical with those owing debt. But the figures give an idea of the reduced liquidity of the consumer sector. Another comparison shows that between 1950 and 1955 disposable income rose by almost one-third, but consumer credit increased 75 per cent and personal mortgage debt doubled.

The situation has been similar for farmers and state and local governments. Wartime reserves have been worked down and debt has been rising rapidly. In the case of farmers this has occurred despite a sharp reduction in income.

Financial institutions also have witnessed a substantial deterioration in their liquidity ratios as they moved to meet private credit demand during the past decade. Holdings of Governments have been reduced virtually every year even when this meant disposing of securities below the purchase price.

Life insurance companies had 46 per cent of their assets invested in Governments in 1945. This proportion has dropped each year since then and reached 9.5 per cent at the end of last year. The expanded practice of warehousing mortgages with the commercial banks provides additional evidence of the liquidity pressures on insurance companies today.

The story is much the same for savings and loan associations. The ratio of cash and Governments to assets fell from one-third at the end of 1945 to less than 12 per cent ten years later. Moreover, during 1955 alone advances outstanding from the Home Loan banks increased by over 50 per cent. The greater relative importance of the shares of these institutions in the liquid asset positions of individuals should be pointed out in his connection. In 1945, these shares amounted to 5 per cent of all personal holdings of liquid assets, which also include cash bank deposits, and Government securities. That ratio was 16 per cent at the end of last year.

Commercial banks liquidated $7.4 billion of Govenments last year in order to provide for loan expansion and many individual banks have denuded themselves of short-term Treasuries. The ratio of loans to deposits at member banks stood at 47 per cent on June 30 compared to 31 per cent in mid-1950, and 18 per cent at the end of the war.

Competition for a limited supply of funds between general categories of use and between individual borrowers has seldom been so intense as during the current year. Strides have been made in fully utilizing the possibilities of shifting funds about the private economy and in economizing on the use of cash. But beyond this the situation must resemble a game of musical chairs. Some would-be borrowers are forced to defer their needs. This must be the case if price inflation is to be avoided.

The trend and pitch of feeling in the money and capital markets today may seem at odds with the overall pace of current economic activity. Average hours worked in manufacturing in 1956 have been somewhat less than last year and unemployment for the nation as a whole has been running moderately higher. Nevertheless, the sectors of our economy most dependent on the capital markets are those operating at or near capacity and in which generative price pressures are strongest.

Obviously, the pressure on liquidity has caused some planning goals to be postponed or reduced in scope. In addition, it is apparent that the current situation creates a new basis for uneasiness on the part of decision makers. Physical needs are not as

pressing as they were a few years ago and there is a new obstacle, the availability of funds, to getting things done. It is too early to judge the seriousness of this threat to the psychology of the future, but the experience of 1956 is certain to have an impact on business and consumer plans.

The necessity of closer calculations of cash budgets will be recognized all along the line as the thinness of the 1956 equity cushion has brought home to many the seriousness of a miscalculation on the inflow and outflow of cash.

It seems safe to say that in 1957 the spotlight will be focused on the nation's savers, investors, and its monetary system more sharply than ever before. Current evidence indicates that capital formation is now proceeding at a faster rate than the economy can support without threatening the stability of the dollar. In the past year especially, financing this rate of outlay has brought about a considerable deterioration in liquidity position of consumers and businesses. In the months ahead, efforts will undoubtedly be directed at preventing any further deterioration, if not, in fact, at rebuilding liquidity positions.

The commercial banks and the other financial intermediaries are in much the same position, having pushed their liquidity near the limit. Thus, throughout the entire private sector we cannot look to further decreases in liquidity to supplement the flow of savings as it has in 1956. In fact, the trend may be reversed.

Now that individuals, business, commercial banks and other financial institutions have strained their own resources to the maximum, attention may be increasingly directed toward the lender of last resort—the Federal Reserve System. The powers of the monetary authorities to keep an effective rein upon the expansionary forces within the economy doubtless have been enhanced by recent liquidity changes. Still monetary policy works more smoothly and effectively when borrowers and lenders recognize the symptoms of inflation and are prepared to share the responsibility for remedial measures. At the moment it is too early to know whether consciousness of this responsibility, an intuitive desire for liquidity, or more aggressive action by the monetary authorities will play the major role in the coming months.

OUR MONETARY AFFAIRS

(Continued from page 29)

of the country, should they operate as they have in the past, or should they be subjected to certain controls?

I don't think that the last word has been said on debt management. When the present Administration came to power we heard a great deal about the necessity of lengthening maturities, yet if you look at the short-term obligations of the Treasury outstanding now and compare them with what they were at the end of 1944, you find practically no change. The question that arises is, can the debt be lengthened? Closely connected with it is this question, to what extent has the decreased marketability and liquidity of government bonds, medium-term and long-term maturities, affected their sale? We have learned, in the last few months and again in 1953, that the government bond market does not have that breadth, width and resilience which have been ascribed to it. What impact will this have on the ability of the government to lengthen maturities? When should maturities be lengthened?

In a period of declining business activity the Treasury doesn't want to compete with business, and in a period of rising business activity, particularly when the demand for capital is very great, corporations and other investors aren't interested in government securities. This is a question that we ought to study carefully.

We ought to get away from the befuddled ideas that some of us have and look less to the past and more to the future. Some think that if we returned to the gold standard all our ills would be cured. Does the gold standard fit in a dynamic age such as we are living in at present? Could a gold standard work in the present economic and political conditions? Because, in the past, the gold standard worked and all the great works

Continued on page (56)

The Case for

SINCE the start of World War II, and especially during the last decade, we have been experiencing an erosion of the private home mortgage system—a steady crippling of its effectiveness in fulfilling its essential purposes. The measures that were adopted by government during the 1930s to stimulate the flow of funds and expand the scope of private mortgage credit have gradually and incessantly been transmuted to means for extending the control of government over the direction of private credit. They have also been supplemented, with increasing frequency, by measures that set aside the private transaction altogether.

Each annual housing bill sees new efforts made—and usually to some degree successfully made — to insulate mortgage credit from the forces of the market, and in the name of public welfare, economic stability, or plain political expedience, to make the advancement of mortgage credit a matter of government determination rather than of private decisions. There has never been a reversal of this trend. There has rarely been a check in its course.

This unremitting drive gets its impulse from three propositions, all of them fallacious, and all of them self-defeating. These false propositions are:

- That mortgage interest rates can be what government says they ought to be.
- That government can supply the home mortgage market with an uninhibited supply of funds.
- That government can direct the flow of private credit to uses that it predetermines to be deserving of priority.

The first of these propositions, that mortgage interest rates can be what government says they ought to be, ignores the fact that interest rates are a reflection of the supply of, relative to the demand for, money in the financial market, just as the price of lumber is a function of the availability of lumber relative to the demand for lumber. The very idea of a free market for mortgage money, corresponding to the market for other commodities, seems to have become incomprehensible to the legislative mind. Yet it is clear everywhere that the penalty for controlling rates is the diversion of funds from the controlled area whenever the fixed rate is below the market rate. Some relief from the present untenable situation may be near. But the problem in my opinion will remain, introducing distortions in one direction or the other, until the rate of interest is left to the competitive forces of the market.

It should be recalled that, when FHA was instituted, the purpose was to encourage a flow of funds to home mortgages and to put confidence in loans with low down-payments and long maturities. There was no assumption that the interest rates on such loans could be placed at a submarket level, or that there was any basis at all for limiting interest other than to prevent usury. Quite the contrary, the initiators of FHA well understood that any such move would defeat their objectives. The same realization was present when, at the outset of the VA program, the interest was set at a rate that was then widely obtainable on conventional loans as well as on FHA loans. The ideas that certain classes of borrowers had a right to a lower interest rate than others and that the insurance or guarantee was more than a means for obtaining easy terms as to down-payment and maturity is really of recent development. But they have certainly become fixed ideas which the starkest of facts have not uprooted.

The second proposition by which the interventionary drive is inspired—that government can provide the home mortgage market with an uninhibited supply of credit—gets particular force from the failure of the first proposition to prove out in the impersonal world of finance. When the supply of loanable funds is limited, the notion persists that, by direct lending programs or by the creation of some new kind of facility, government can provide funds that did not exist before. This fallacy had its origin in depression days. When savings are being hoarded or when existing institutions hold idle cash, it is possible to devise facilities that will draw forth these funds and put them to work. The original federal savings and loan associations were in this class. Mortgage insurance proved to be an activator of idle funds. National mortgage associations were intended to provide a new avenue from saving to mortgage investment and, though impractical in conception, were correct in theory under the conditions prevailing at the time.

When, however, there are no idle funds and when savings are being employed to the fullest, no conceivable revamping of the Federal National Mortgage Association nor the invention of any other financial facility, can increase the supply of long range funds. The only ways in which government can contribute to such an increase are the politically hard ways of encouraging saving through curtailment of its expenditures and reduction of taxes, and by maintaining a stable dollar through sound fiscal and monetary policies. All FNMA or the Home Loan Banks or any other such facility can do in a time of full employment and high utilization of industrial capacity as we are now experiencing is to offer an avenue for the expansion of bank credit, in lieu of savings — with the inflationary risks that this entails. If this is what we want to do, it can be done, as we learned last year, simply by feeding enough reserves to the commercial

A FREE MARKET IN FHA AND VA INTEREST RATES

by **LINDELL PETERSON**

The Chicago Convention served as a nation-wide forum for a discussion of the need for freeing FHA and VA interest rates so that they might seek a normal level. The dissenting opinions to this view (if they can be called dissenting opinions) were rather mild and came from the top government agency officials; the affirmative view was forcefully expressed by the retiring president of MBA, Lindell Peterson, in his address on the opening day. There was a widespread approval of what he said and how he said it. So, for those who missed the talk as well as those who heard it, here are the closing passages from his address in which he states The Case for a Free Market in FHA and VA Interest Rates.

banks. But if we do not wish to take the inflationary plunge, the price that FNMA will itself have to pay for money will preclude its serving either to depress interest rates or to add much to the availability of funds. Moreover, if all the costs of doing business are taken into account, no other government facility could do better.

So we come to the third proposition that has motivated our legislative policy—that government can direct private credit to uses that it predetermines to be deserving of priority. Provided the objectives are broad, and the devices chosen for the purpose are simple ones like the initial idea of mortgage insurance, government may have a considerable influence on the breadth and to some extent on the direction of the flow of funds. But what happens, even with as simple a device as FHA, is that the objectives become so narrowed and detailed that administration gets bogged down in a legislative and regulatory swamp, while the inducements get so entangled in protective devices like the builders' warranty and cost certification, along with all the perils inherent in doing business with government, that the inhibitions soon far outway the incentives. The frustration, of course, is intensified by the effort of government to hold down interest rates and the assumption that it can produce long-term funds out of a vacuum.

The solution is never to reexamine the validity of premises on which governmental action has been taken, or to simplify the objectives and the methods. Instead, it is concluded that failure of a policy represents a failure of private enterprise, and therefore, that it is necessary for government to move on to more direct forms of action, and to absorb savings through taxation and dissipate them in subsidy. This process, if carried far enough, of course, spells the doom of both private credit and private building.

So familiar has the pattern become that one could easily be persuaded that government housing policy has been purposely pointed to this end. I prefer, however, to take the position that much of what has been happening is due to incomprehension and misunderstanding, which can be eliminated with a clear look at the facts.

In place of the false premises that have misled us, I offer these substitute proposition:

- That, in a free society credit cannot always be available in an uninterrupted stream, but that occasional variations must be accepted in order to adjust demand to the availability of funds;
- That, to assure an equal distribution of credit among all users, interest rates must be free to move in relation to the availability of funds;
- That, even in a country as rich and efficient as ours, we cannot do everything that needs to be done at once, but that time must be considered among our resources along with our wealth and our ingenuity;
- And, finally, that an industry that has financed and built over 10 million houses in a decade can be counted upon, if freed from unnecessary and irrational controls and restrictions, to meet the housing needs of the people in the years ahead.

If we can get these simple ideas across, I am sure that we shall again have the prospect of a sound government policy, and a fully effective system of private mortgage credit. Out of this we could have the basis for a sensible and mutually helpful relationship between government and private investors that would work to the best possible advantage of the future homebuyers of the nation.

Convention in Chicago, 1956

Capsule Comments Concerning MBA's Largest Convention

THE principal thought, the main topic of discussion from the rostrum and through the corridors, the one thing that those who attended MBA's Chicago Convention were thinking about more than anything else was the same thing that might well have dominated a score of other Conventions across the land in October, 1956.

It was tight money, a credit stringency such as many had never experienced before. Not in about a quarter-century had the general cost of money been so high, not in an almost comparable period has it been so scarce. The industry most acutely affected was the mortgage industry.

"Nice meeting—but I haven't seen any money around," was a typical rejoiner from members from just about any place over the country.

A general conclusion and impression of MBA's 43rd annual Convention in Chicago, October 8 to 11, 1956, might well run something like this:

» It was the Association's largest meeting with 2,895 registered. They were from every state, every area, a typical cross-section of the nation-wide mortgage banking industry.

» The tight money policy has cut deeply into this business of originating mortgage loans. Since the Association last met for an annual Convention, the terms and conditions under which loans are originated and sold have changed mightily; and, it would have been generally agreed, this changed business atmosphere cannot be expected to prevail indefinitely.

» A crisis is ahead—or indeed here, depending on how you look at it—for FHA and VA loans. Still frozen at a rigid 4½ per cent, the upward movement of the entire money market has left them stranded, waiting for a rescue operation the kind and character of which no one could quite forsee.

» Now, more than ever in the past when it has been proposed, the prospects for freeing FHA and VA interest rates seem at least half way promising. Retiring President Lindell Peterson made the need for just this action a major portion of his presidential address *(see elsewhere)* which had been preceded in the weeks before by two public statements on the subject and by personal letters to ev-

← Lindell Peterson *(top photo)* addresses opening Convention session. Other first day speakers, flanking him, are: W. Randolph Burgess, Under Secretary of the Treasury (left), and (right) Dr. Arthur A. Smith, Vice President, First National Bank, Dallas; and John R. Womer, Chicago MBA President. Center: Speakers (left) Crawford H. Stocker, Jr., President, National Association of Mutual Savings Banks, and (right) Clarence M. Turley, President, National Association of Real Estate Boards, with Lindell Peterson (center). Bottom photo: Government officials who spoke: Thomas J. Sweeney, Director, Loan Guaranty Service, VA; HHFA Administrator Albert M. Cole; FHA Commissioner Norman P. Mason.

ery member of the Senate and House. Soon he was joined by others—Clarence Turley of the National Association of Real Estate Boards from the MBA rostrum joined in, followed by the National Lumber Manufacturers Association. Others were scheduled to join forces to correct an economic wrong which works a hardship on veterans and plays havoc with the mortgage market during these recurring periods of shortage of funds.

>> But, above it all, there was an optimism which no one could escape, an optimism born of confident hope in the future, a belief that we are in a phase of the business cycle that will pass. The need for tight money was recognized and appreciated; the threat of further inflation which the monetary authorities are working to sidestep was real, and the remedy they are using to do so is the one effective instrument that can be used.

So, while it isn't pleasant to see your business shrink at the alarming rate it has during these past 12 months, the satisfaction was there that it was good for the long-term welfare of the country.

Now to go back to the Convention Hall and recapture some of the pertinent comments from the MBA rostrum for a better impression of what is ahead:

Dr. Arthur A. Smith, vice president and economist of the First National Bank in Dallas, a talented speaker and recognized authority on business, said no major business recession is in sight—rather we are in "the midst of tremendous economic growth and expansion which could easily last a quarter of a century."

"Some people adhere stubbornly to the old belief that what goes up must come down—that prosperity is always followed by depression and, therefore, we are in for trouble because it will happen again. I have heard it said that there is a close similarity between 1929 and the present—and, incidentally, we have heard the same thing repeatedly since 1945. The implication is that the future will repeat what happened in the Thirties.

"The prophets of doom have had a bad record, and I don't think they are going to improve that record either."

Dr. Smith cited five main areas of the economy which, he declared, point to continued expansion of the country, even though one of them-forced high spending for defense—is not a particularly pleasant prospect for the American people.

"The world was at peace in 1929. There was, at that time, no great danger to freedom anywhere comparable to the Communist threat of today. In the Federal budget we were appropriating only a meager few millions for defense, and we had a standing army scarcely large enough to be called much more than a constabulary. (Only 137,000 were in the regular army in 1929.)

"Weapons of war were relatively simple in 1929 compared with those of today. Danger of a sneak air attack with such destructive devices as atomic and hydrogen bombs was not even imagined.

"Today our armed forces total about three million, and we are spending at the rate of almost $40 billion annually for national security.

"The international situation now is tense — and there are no apparent signs of easing.

"When we appraise the economic future, we must not overlook the unsavory fact that the United States very probably will have to maintain a defense program costing close to $40 billion, maybe more, annually for a long time.

"None of us takes delight in the prospect, but it is a cold circumstance that cannot be left out of account. It will keep a minimum of 9,000,000 men and women engaged, directly or indirectly, in defense alone, counting those in the armed forces. It will draw heavily upon our natural resources and upon our industrial capacity."

The second great difference, Smith said, is the different kind of country

(Continued on page 49)

Top photo: That's Sherwin C. Badger (right), Financial Vice President, New England Mutual Life Insurance Co., Boston, another Convention speaker, with Lindell Peterson. Bottom photo: An over-all auditorium view of a regular Convention business session. →



They Were There

As everyone who has ever attended an MBA Convention well knows, the general business sessions—important as they are—do not constitute a meeting's sole drawing power. Before, after and sometimes during these general sessions there's plenty of shop talk, as well as a good deal of social conversation, as old friends meet and new acquaintances are made. Pictured here is a representative sampling of MBA members, caught by our roving camera, in the act of enjoying this always pleasant phase of Convention activity.

Above, left, we see R. Perry Russell, T. J. Bettes Company, Houston; Frank J. Owen, Jr., and Hamilton M. Redman, both of Berkshire Life Insurance Company, Pittsfield, Mass.; Frank C. Guthrie, First City National Bank of Houston, Houston; H. Duff Vilm, H. Duff Vilm Mortgage Company, Inc., Indianapolis. Center, James E. McGurk, Metropolitan Life Insurance Company, New York; H. G. Woodruff, H. G. Woodruff, Inc., Detroit; C. D. LeBey, C. D. LeBey & Co., Atlanta; Robert Tharpe, Tharpe & Brooks, Inc., Atlanta. Right, William T. Doyle, Jay Zook, Inc., Cleveland; W. D. Thomas, Sun Life Assurance Company of Canada, Montreal; Evar J. Skoog, Buffalo Savings Bank; J. W. Jones, Jones-West Mortgage Company, Dallas; Jay Zook, Jay Zook, Inc., Cleveland.

Those pictured in the center panel include, right, Lindell Peterson, Chicago Mortgage Investment Company, on the left, speaking with Raymond T. O'Keefe, Edward S. Backnick, Jr., and Esmond B. Gardner, all of The



Chase Manhattan Bank, New York. Center, Al Drake, Liberty National Life Insurance Company, Birmingham; Norman H. Nelson, The Minnesota Mutual Life Insurance Co., St. Paul; John C. Hall, Cobbs, Allen & Hall Mortgage Company, Inc., Birmingham; Ehney A. Camp, Jr., Liberty National Life Insurance Company, Birmingham; Edward F. Lambrecht, Lambrecht Realty Company, Detroit; Ollie Rollins, Jr., Liberty National Life Insurance, Birmingham. And right, E. R. Haley, General Mortgage Corporation of Iowa, Des Moines; Byron T. Shutz, Herbert V. Jones & Company, Kansas City, Mo.; G. D. Brooks, The National Life and Accident Ins. Co., Nashville; John F. Austin, Jr., T. J. Bettes Company, Houston.

In the lower bank, we see, left, Wm. A. Marcus, American Trust Company, San Francisco; Allan S. Christner, Mellon National Bank and Trust Company, Pittsburgh; Wm. A. Clarke, W. A. Clarke Mortgage Co., Philadelphia. Center, Milton T. MacDonald T. B. O'Toole, Inc., Wilmington, Del.; Mrs. MacDonald; John H. Scott, The Scott Mortgage Co., Pittsburgh; Mrs. Wm. L. King, Washington, D. C.; William L. King, James W. Rouse & Company, Washington, D. C.; Thomas C. Beach, Jr., T. B. O'Toole, Inc., Wilmington. And right, Howard S. Bissell, Howard S. Bissell, Inc., Cleveland; James H. Magee, John Hancock Mutual Life Insurance Co., Boston; Albert Keidel, James W. Rouse & Company, Baltimore; George M. Brady, James W. Rouse & Company, Washington, D.C.





They Were There

Among the congenial folk appearing in the upper panel are, left, Clyde L. Fincher, Flynn Investment Company, Harlingen, Texas; Aksel Nielsen, The Title Guaranty Company, Denver; R. Meade Christian, The Life Insurance Co. of Virginia, Richmond; B. B. Yeager, Gulf Coast Investment Corp., Houston; Guy T. O. Hollyday, The Title Guarantee Company, Baltimore; A. Clyde Weaver, The Life Insurance Co. of Virginia, Dallas; A. G. Wallace, Lewis Grinnan Company, Dallas. In the center, are to be seen James V. Whitley, M. P. Crum Company, Dallas; Ben J. Smith, Jr., Seattle Mortgage Company, Seattle; L. S. Davis, The Manufacturers Life Insurance Co., Toronto; W. James Metz, Lantz and Company, Denver. Right, Lewis O. Kerwood and George H. Patterson, MBA Headquarters, Chicago; H. Bruce Thompson, Colonial Mortgage Service Company, Upper Darby, Pa.; T. Irving Howe, Tradesmens Bank and Trust Company, Philadelphia; Frank J. McCabe, Jr., MBA Headquarters, Chicago; and William Barts, Mutual Trust Life Insurance Company, Chicago, on the right.

Appearing in the center panel, on the left, are a Kansas City, Mo. group, all of the City-Wide Mortgage Company: James Majors, Raymond S. Hodge, R. A. Griswold, Dorr Carroll, Jr. Representing the ladies, center, are Mrs. Lindell Peterson, Chicago; Mrs. Bette B. King, Houston;



Mrs. T. J. Bettes, T. J. Bettes Company, Houston. And on the right, that's Miles Colean, Washington, D. C.; Wm. L. King, James W. Rouse & Company, Washington, D. C.; Lindell Peterson, Chicago Mortgage Investment Co., Chicago; Byron T. Shutz, Herbert V. Jones & Company, Kansas City, Mo.

Pictured below, left, that's Rush C. Hinsdale, Jr., Rush C. Hinsdale Co., Beverly Hills; George S. Onderchek, Bankers Trust Company, New York City; Roger H. Wall, Banco Credito y Ahorro Ponceno, San Juan, Puerto Rico; Edward H. Dreher, Bankers Trust Company, New York. And in the center Frank C. Waples, Midland Mortgage Company Cedar Rapids, Iowa; Ennis E. Murrey, The First Mortgage Company, Nashville; Joseph M. Miller, Miller Mortgage Company, Inc., New Orleans; Eliot O. Waples, Midland Mortgage Company, Cedar Rapids. On the right Edward J. Voltin, Realty Mortgage Investment Corporation of Austin, Texas; Jim Justice, Glenn Justice Mortgage Company, Dallas; Gene D. Whitlow, and D. M. Pyrtle, both of Magic City Mortgage Company, Inc., Roanoke, Va.



Others Who Were There

All from Chicago and all with the Chicago Title and Trust Company: William Stevens, Raymond Mulligan, Ted Kross, Al Rogers, Al Long, Frank French. In the center, that's H. S. Bissell, Howard S. Bissell, Inc., Cleveland; Thomas F. O'Rourke, Lawyers Title Insurance Corp., Cleveland; Fred C. Fulton, Fulton & Goss, Inc., Cleveland; F. R. Armistead, Cincinnati Investment Corporation, Cincinnati; David E. O'Neill, Jay F. Zook, Inc., Cleveland; Harvey C. Goss, Fulton & Goss, Inc., Cleveland; Robt. D. Templeman, The City National Bank of Cleveland. On the right, it's an all Pennsylvania group. That's Raymond Gleadall, The Home Life Insurance Co. of America, Philadelphia (second from left), with George S. Mehl and Frank G. Wilson, Jr., of the Colonial Mortgage Service Company, Upper Darby; and (at far right) A. D. Harrington, W. A. Clarke Mortgage Co., Philadelphia.

Center panel leads off, left, with an all Seattle group; Robt. G. Keever and Vernon V. Brice, both of White & Bollard, Inc.; Harry B. Dye, Seattle Trust & Savings Bank; Wm. A. Burnett, Continental, Inc. Center, that's Jay I. Kislak, J. I. Kislak Mortgage Corp. of Florida, Miami, second from

right. The other gentlemen, all of the Underwood Mortgage & Title Co., Irvington, N. J., are: J. J. Hesson, Michael E. Magnor, L. M. Steele and G. E. Dickinson. And right, J. L. Brooks, Jr., Tharpe & Brooks, Inc., Atlanta; Eugene Knight, Eugene Knight Inc., Tampa; James T. Wilcox, State Mutual Life Assurance Company, Worchester, Mass.; John C. Hall, Birmingham; Newton S. Noble, Jr., Lake Michigan Mortgage Company, Chicago; George D. Blakeslee, State Mutual Life Assurance, Worchester.

In the bottom panel, it's Robt. W. Warren and J. C. McGee, both of Reid-McGee & Company, Jackson, Miss.; with Richard A. Booth, Springfield Institution for Savings, Springfield, Mass., and J. W. Hardin, also with Reid-McGee & Company. J. S. Corley, Bankers Life Company, Des Moines, and Aubrey M. Costa, Southern Trust & Mortgage Company, Dallas, share a chuckle in the center photo. On right, E. David Auer, Detroit; J. J. Madden, The Lincoln National Life Insurance Co., Fort Wayne, Ind.; Gordon Pfefferkorn and Lawrence Pfefferkorn, both of the Winston-Salem Bond & Mortgage Company, Winston-Salem; James W. Bryant, also of The Lincoln National Life Insurance Company, Fort Wayne.




Behind Committee Room Doors

An integral and vital part of each Convention is the series of committee meetings, when the Association's 23 national committees meet to formulate policy and to plan their work for the year ahead. A great amount of serious thinking and conscientious effort goes into these meetings and from their work accrues much of benefit to all members. Pictured on this page are some of the committees in action.

Above, starting upper left and continuing clockwise, we see first, the Research Committee, headed by W. C. Rainford of Granite City, Ill. Next, the Legislative Committee, under the chairmanship of Robert Tharpe of Atlanta, Ga. That's Sam Neel, MBA general counsel, addressing the group. At the Trust Committee breakfast meeting, we see past chairman, Aksel Nielsen, of Denver, presiding. Byron T. Shutz, Kansas City, will head the committee in the year ahead. And, again, Sam Neel is seen addressing a committee session—this time the FHA Committee, whose chairman is Carey Winston of Washington, D. C.

In the group below (again starting upper left and reading clockwise) there is pictured chairman William D. Galbreath of Memphis, conducting the meeting of his Redevelopment, Conservation and Rehabilitation Committee. Next in line is the Clinic Committee, headed by Walter C. Nelson, Minneapolis. Lower right hand corner, the Pension Fund Committee in session, under the chairmanship of Robert H. Pease, Chicago. And lower left, H. Duff Vilm, Indianapolis, chairman of the Conventional Loan Committee and his group in session. The meetings took two afternoons.






Convention Scenes and Views

Convention days are busy days. In addition to the business sessions and committee meetings, etc., there are a great many other assorted activities and events which, when viewed in retrospect, not only recall to mind pleasant memories, but blend together into one colorful kaleidoscope of frenzied planning, frantic rushing, hectic days and nights of work and play: in other words, the very essence of a successful and memorable Convention.

The "Get Acquainted Breakfast," inaugurated last year, proved a popular event on that first Monday morning. Shown above are some who attended. That's John Austin's table at left. Seated with him (from left) are Robert L. Beal, Lester S. Harvey, F. M. Petree and John A. Gilliland. Carton S. Stallard, Lindell Peterson, Homer Bastian and N. Robert Barman appear in the center photo. At John Hall's table, right, we see Ralph J. Steward, Donald E. Nettleton, Frank J. Bell, John L. Lewis, C. A. Legendre, Stanley M. Earp and C. Douglas Wilson. That's John, himself, center front.



Middle bank photos show, left, Pat Haley—outgoing Grand Marshall of the Mortgage Bankers Legion, as he addressed the Legion Dinner on the Saturday evening preceding the Convention opening. The next two photos show some of the ladies who attended the companion dinner held currently with the Legion dinner. The lone male, center photo, is George Patterson, who gate-crashed the ladies' event—just momentarily. He's seen with Mrs. W. A. Clarke and Mrs. Patterson. That's Mrs. John C. Hall on the left. Third picture shows Mrs. John F. Austin, Jr., far right, and her party.

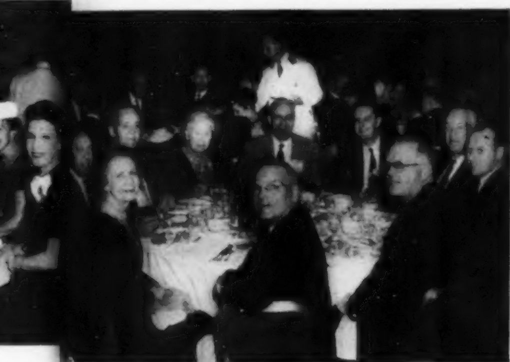
In the bottom panel of photos we see part of the usual crowd and flurry of activity surrounding the MBA Registration Desk. Those are the gals of the Headquarters staff who are "manning" the desk. Center photo catches Dr. Homer V. Cherrington discoursing on a topic of apparent amusement to Nathan S. Jarnigan, T. J. Bettes Company, Oklahoma City; Erwin Manzke and Mrs. Aleta R. Kitchen, both of the Country Life Insurance Company, Chicago. That's a general view of the exhibit space and some of the exhibitors at the meeting, far right.




It Was Called "Mortgage Merriment"

An always popular event of any MBA Convention is the annual re-opening of Club MBA. This year proved no exception, as a capacity crowd of almost 1,400 persons joined together in dining and merriment. "Terrific"—that was the unanimous verdict of the evening's entertainment, planned and produced by Clint Noble, an impresario already well-known to MBA members. Pictured on this page are some of the party-goers who took "time out" to pose—graciously—for our photographer.

Starting out on the top bank, we see first Lindell Peterson's table. That's Lindell on the left and Mrs. Peterson on the right. Others in their party include Mr. and Mrs. James H. Magee and Mr. and Mrs. R. B. Miner, all of Boston; the Wallace Moirs of Beverly Hills, Calif.; and Samuel E. Neel, Washington, D. C. Center photo shows John Austin and



Mrs. Austin and their party, including Mrs. T. J. Bettes, Mrs. Bette King, Robt. Warren and others. And to the right we see HHFA Administrator Albert Cole, Mr. and Mrs. Miles Colean and others. It must have been a whopper of a story to produce such hearty laughter.

Center panel shows, first, Mrs. Minnie W. Miller and J. F. Hegessy, of Salt Lake City, with a group of friends. In the forefront of the center photo, are Frank J. McCabe, Jr. and Mrs. McCabe of MBA Headquarters. Other Headquarters "staffers" at the table are Lewis O. Kerwood and Mrs. Kerwood, and "Mr. Mortgage Banker," himself, George H. Patterson and Mrs. Patterson.

The next three photos, third one in the center panel and first two in the bottom panel, include additional guests of the Peterson and Austin parties. And, concluding the series, is a glimpse of the morning coffee bar sponsored each morning — and, undoubtedly, one of the most popular gathering points — by the Chicago Title and Trust Company.



First Graduating Class School of Mortgage Banking

It was an occasion to remember—graduation of the first class in MBA's School of Mortgage Banking. Sixty-five men and one woman received diplomas in evidence of their completion of the School's three-year course.

Dr. Preston A. Bradley, pastor, Peoples Church of Chicago, delivered the commencement address with a message from President Peterson. Dr. Harold W. Torgerson, professor of finance at Northwestern, addressed the graduates who were presented for graduation by Lewis O. Kerwood, MBA's director of education and research. The certificates were awarded by Dr. Homer V. Cherrington.

Those receiving diplomas included:

Harry W. Baum, Tarrytown, New York; Malcolm A. Belt, Washington, D. C.; J. S. Billings, Jr., Miami; John W. Blundell, Phoenix; George V. Brandt, Jr., Tucson; A. H. Cadwallader, III, San Antonio; George M. Carpenter, Washington, D. C.; Elmer A. Cook, Austin, Texas; Bernard J. Corbishley, Syracuse, New York; Henry P. Dart, New York; Arthur DeCesare, Providence; Edward J. DeYoung, Chicago; George C. Dickerson, Jacksonville, Florida; Walter A. Dinnerville, Chicago; R. J. Donovan, Pleasant Hill, California; Edward H. Dreher, New York; W. G. Farr, Jr., Memphis.

Robert H. Foster, Dallas; A. C. Frazier, Macon, Georgia; Albert L. Gundelach, DesPlaines, Illinois; Robert O. Heim, Brooklyn; Elwyn V. Hopkins, Atlanta; Edwin G. Hudspeth, St. Louis; Paul J. Huelsbeck, Des Moines; Cecil H. Hulsberg, Jacksonville, Florida; Edward A. Hummel, Tarrytown, New York; Josiah P. Huntoon, Jr., New York; Nathan S. Jarnigan, Jr., Oklahoma City; Francis S. Key, Atlanta; Charles H. Kopke, Kansas City, Missouri; Emil R. Kroitzsch, Camden, New Jersey; H. H. Kuhlmann, III, Houston; William A. Leigh, Washington, D. C.; Hugo A. Lorenz, Chicago; George W. Lubke, Jr., Daytona Beach, Florida.

John M. Mazur, Binghamton, New York; A. C. McDavid, Jr., San Antonio; Eugene A. McSweeney, Louisville; Thomas J. Melody, New Haven; William N. Melzer, Chicago; James E. Millar, Washington, D. C.; W. E. Miller, Jr., Cleveland; Zelpha Schoen Mitsch, New Albany, Indiana; John C. Neff, Bloomington, Illinois.

John E. Nelson, Minneapolis; James J. O'Connell, Washington, D. C.; William A. Payne, Little Rock; Everett E. Reed, Phoenix; Leonard J. Reitz, Cleveland; H. D. Reynolds, Houston; Joseph G. Riddle, New York; William E. Rogers, Grand Rapids, Michigan; David E. Rozzelle, Washington, D. C.; Fred J. Ruhlin, Jr., New York; R. P. Russell, Houston; Carl A. Sandquist, Seattle; Stephen C. Saunders, Everett, Washington; Harry A. Scurr, Colorado Springs.

Sidney A. Shepherd, Montreal; John H. Spangler, Philadelphia; David G. Walker, Arlington, Virginia; Jerry Warren, Fresno, California; Bernard D. Wilkins, Jr., Orlando, Florida; Keith Robert Wright, Des Moines; M. J. Zerr, Jr., Corpus Christi.

GRADUATION: Below: first graduating class files into Convention auditorium; group shown seated in special graduates section. Middle bank: left, Dr. Preston A. Bradley delivers commencement address; right, Elmer A. Cook, D. L. Welch & Co., Inc., Austin, Texas, receives diploma. Lindell Peterson makes presentation. Bottom photos: lone female graduate, Zelpha S. Mitsch, Dale W. Mitsch, New Albany, Ind.; and Bernard J. Corbishley, Eagan Real Estate, Inc., Syracuse N. Y., accept diplomas. Dr. Homer V. Cherrington and Lewis O. Kerwood watch.

Farm Side of the Business

Whatever may be wrong with American farming, it isn't the farm loan — because good farm loans are still attractive investments for those investors who like farm loans. That was one conclusion to be drawn from the discussion at the Farm Loan Committee luncheon and meeting at the Convention.

Another conclusion, from D. Gale Johnson, professor of economics at the University of Chicago, one of the two speakers, was that what is basically wrong with American agriculture isn't the problem of support payments or any of the other things which the two political parties are discussing at the moment but the fact that there are too many people trying to make a living from farming.

It is going to take a significant reduction in the number of people engaged in agriculture to set a-right the condition in which farming finds itself today, Johnson declared, yet in neither political platform does there seem to be any recognition of this basic fact.

"Net farm operator income has fallen by a third since 1948; the parity ratio has fallen by a similar percentage. The farm mortgage debt is increasing and is at a near record level. The short term debt of farmers is at a record level. The per capita income of the farm population is only 45 per cent of the per capita income of the nonfarm population.

"These statements, each factually correct, are not particularly helpful in understanding the economic situation of the farmer. While net farm operator income has declined by approximately a third, a decline in the farm population and an increase in income from nonagricultural sources has meant that the per capita income of the farm population has declined approximately 5 per cent since 1948. At the same time that the farm mortgage debt has been rising, the value of farm real estate has increased and the difference between the two is the highest on record. Since 1939 the farm mortgage debt has increased less than 50 per cent, while the nonfarm mortgage debt has increased about 300 per cent. The larger volume of dollar business done by farmers certainly requires more short term credit; the amount of such credit has declined from 34 per cent of farm marketings in 1939 to 26 per cent in 1956."

Another conclusion, from H. H. Skaggs, manager of the farm and ranch division of the Southwestern Life Insurance Company, Dallas, was that present American national farm policy is a good one and it "cannot but eventually result in a more stable and satisfactory economy for the farmers and ranchers of the nation."

As to the economic predicament which the American farmer is supposed to be facing today, Mr. Skaggs declared that he "cannot agree that the farmer is suffering any squeeze as far as commodity prices are concerned, but he is definitely suffering from the standpoint of his cost of machinery, food, clothing and labor. Since there is no indication of any immediate or near future reduction in cost of his necessary purchases nor any substantial increase in commodity prices, I see no means of relief for the farmer except for him to bend every effort to increase efficiency."

Top: Farm Loan Luncheon speakers, Dr. D. Gale Johnson and H. H. Skaggs, pose informally with Roy C. Johnson, Farm Loan Committee chairman; Frederick P. Champ, who presided at luncheon; Paul Mann, immediate past committee chairman. Middle: Lindell Peterson speaks briefly to group at start of luncheon. Bottom: Cary Whitehead, chairman of Young Men's Activities Committee, gets things underway at the YMAC meeting.

Ladies of the Convention

Ladies, more than 500 of them, were a very important—not to mention eye-appealing—addition to Convention activity. A popular rendezvous spot for the ladies, during the busy Convention week, was the Ladies Hospitality Suite in the Conrad Hilton Hotel. Pictured below, we see Mrs. Ferd Kramer, Chicago, pouring, with Mrs. H. E. Green, Chicago, seated next to her; and Mrs. George H. Patterson, Chicago, looking on. Other ladies (from left) include: Mrs. A. Clyde Weaver, Dallas; Mrs. R. Meade Christian, Richmond, Va.; Mr. O. F. Janis, Muskegon, Mich.; Mrs. Arthur Griffith, Macon, Ga.; and Mrs. Harold E. Peterson, also of Richmond. And, directly below that, Mrs. Lindell Peterson is seen receiving a gift of matching brass lamps and candlestick holders. Wallace Moir makes the presentation.

One of the chief drawing cards on the ladies own special schedule of events was the luncheon and fashion show held in the Boulevard Room of the Conrad Hilton Hotel in conjunction with Carson, Pirie Scott & Co. As could be expected, the models paraded their creations before a "sell-out" audience. Various scenes, including a view of one of the models and some of the happy ladies in attendance, are shown in the photos on the right.


Carey Winston (above left) president, The Carey Winston Company, Washington, D. C., and B. B. Bass (right), president, American Mortgage & Investment Co., Oklahoma City, accept their 1956 MBA Distinguished Service Awards. Lindell Peterson makes presentation.

THE CONVENTION

(Continued from page 39)

the United States is today from what it was in 1929.

"The role of government in our economic life has changed markedly in this generation—whether you and I like it or not. In 1929 there was no federal insurance of bank deposits; there was no social security program. FHA mortgage insurance was not even conceived. There was no general maximum-hour and minimum-wage law. Federal crop insurance and farm price support legislation had been advocated from time to time by so-called radical thinkers, but scarcely anybody in 1929 had the faintest idea such laws would ever be enacted. Most people in 1929 regarded unemployment as a normal sort of social problem to be handled locally; only a few socialist-minded individuals held to the theory that the federal government should be empowered to do what Congress authorized in 1946—take any steps necessary 'to promote maximum employment, production, and purchasing power.'

"Yet all of these legislative changes, and others of a similar import, are in full force and effect right now—and did not exist in 1929.

"They have been commonly referred to as built-in economic stabilizers which will work against extreme downward business fluctuations which produce depressions in the nation's economy.

"No one knows for sure how effective these stabilizers will be because there has been no real test yet. But anyone considering the economic outlook must take them into account for the simple reason that they are evidences of the extent to which the nation may become mobilized to fight against serious recession.

"Under this changed philosophy of government the American people fully expect every means at hand to be used in the maintenance of reasonably full employment, production, and purchasing power. Any Administration unwilling to act in accordance therewith would receive unfavorable support at the ballot box on election day."

The third bulwark is one which relatively few Americans fully appreciate — the necessity for remaining economically strong to prevent the inroads of Communism and radicalism. He said:

John F. Austin, Jr., accepts the traditional photograph and signatures of well wishers presented to each incoming MBA president by the Mutual Benefit Life Insurance Company of Newark. Paul A. Nalen, right, makes presentation, as Robert E. Smith looks on.

"I refer to the generally known—but little publicized—realization among business leaders that a serious American depression of the magnitude of the one of the Thirties might be a great victory for the Communists. At least it would probably send us farther down the leftist road, perhaps far enough to destroy much of what remains of free enterprise.

"Anyone who doubts such a risk should recall the revolutionary political and economic changes wrought by the depression of the thirties."

The country's financial economy is strong today—and it wasn't in 1929, Smith said.

"In 1929 the federal debt was only $16.9 billion. Today it is $273 billion. Interest charges alone on our present debt are about $6.9 billion. The entire federal budget in 1929 was only about $3 billion.

"In the debt and in the cost of government one finds a condition making it imperative that the nation's economy operate at a high level. The U. S. Government derives 82 per cent of its revenues from taxes on corporate and personal incomes. Any decline in income must, of necessity, be reflected in an even proportionately greater decline in federal revenues under the progressive rates of the present tax structure.

"A depression would so drastically reduce government receipts that Uncle Sam would be forced into

A Message from the President

The White House
Washington

Dear Mr. Peterson:

Please extend my cordial greetings to the members of the Mortgage Bankers Association. I hope that your forty-third annual Convention will be productive in every way.

All of you may well be proud of what you are doing to make it possible for American families to enjoy better housing. Home financing on reasonable terms is an essential tool in this most basic task, and I hope you will continue your efforts to increase the flow of mortgage funds to all parts of our country.

I applaud the Mortgage Bankers Association on its public service, and I shall continue to count upon its members to cooperate with the government in our common effort to provide decent housing for all the people of the nation.

Respectfully,
Dwight D. Eisenhower

greater and greater deficits, inevitably releasing more and more inflationary forces."

And for his fifth reason, Smith cited the relative absence of the speculative excesses that characterized the Twenties.

"Speculative forces today play a comparatively smaller role in price movements. Margin regulations work against speculation and in favor of investment. The thin 10 per cent margins of the old days exposed the market to far wider fluctuations than now exist. Forced liquidation is much less now. Pension funds and investment trust funds with a relatively steady flow of money to be put to work lend greater stability in today's market."

W. Randolph Burgess, Under Secretary of the Treasury, one of the principal members of the inner circle of monetary authorities guiding our destiny during the present period, a man with a distinguished banking career behind him, had a comforting word:

"One of the best ways we can live with prosperity is to consciously follow policies which will encourage more savings and assure an ample flow of funds for the dynamic progress of the country without inflation.

"It is just at these points that there is a radical difference between the policies of this Administration and the Democrat policies as followed in the previous Administration. Their policies were, and are, in favor of cheap money and heavy and increasing Government spending.

"These are the policies of inflation. They produced inflation during the previous Administration. They are not the policies which would give the country sustained and vigorous growth at stable prices."

Mr. Burgess reiterated a point which is concerning government and business today, that is, the lack of adequate savings to finance the country's growth.

"Most of the present tremendous growth of our country is being paid for out of savings—the savings of individuals and business. But all the savings we are making are not enough to pay for all we are trying to do. This doesn't mean that the supply of savings is going down. It means that the demand for money is going up.

Award of Merit is presented to George Robert Monroe, secretary, The Monarch Investment Company, Wichita, for his published thesis: Project Construction Financing. Award is presented by Lindell Peterson. Center: Dr. Homer V. Cherrington.

"So people are borrowing money—lots of money. As long as they borrow money that other people have already saved, there is no great problem. But when that supply of savings is not great enough, and people borrow so much from banks that the banks have to borrow from the Government through the Federal Reserve System, that makes trouble. If that borrowing gets too big, it makes inflation.

"When people try to borrow more money than other people have saved, the price of money, the interest rate, goes up. Lenders have to decide which loans they will make and which they will decline. They have to decide whether they, in turn, can borrow from someone else or from the Government to help meet the demand. That is just what has been happening. That is where the danger of inflation comes in.

G. J. Hoffman, Jr., treasurer, Stockton, Whatley, Davin & Co., Jacksonville, Fla., receives Award of Merit from Lindell Peterson. Title of published thesis is The Mortgage Banker of Yesterday and Today.

"When you get down to the facts, borrowers have been able to get most of the money they want. Borrowing is setting new records. Compare January-June, 1956, with the same period in earlier years. The volume of new mortgage loans has been tremendous. New non-farm mortgage recordings were $13.5 billion in January-June, 1956, only slightly below the record

You May Want to Read—

Did you hear all the addresses given at the Chicago Convention? If you did not, maybe you would like to read those you missed. You are invited to write for copies of those listed below:

A Memorable Year in Mortgage Financing with Some Suggestions for Tomorrow, by Lindell Peterson, President, Mortgage Bankers Association of America.

Looking Ahead on the Business Scene, by Dr. Arthur A. Smith, vice president, First National Bank in Dallas.

Living with Prosperity, by W. Randolph Burgess, Under Secretary of the Treasury.

Pension Funds, a Potential Source of Mortage Money, by Esmond B. Gardner, vice president, Chase Manhattan Bank, New York.

American Agriculture Today: Its Economics and Politics, by Dr. D. Gale Johnson, professor of economics, University of Chicago.

What an Investor Looks for in Farm Lending Today, by H. H. Skaggs, manager, farm and ranch loan division, Southwestern Life Insurance Company, Dallas.

Our Changing Credit Environment, by Sherwin C. Badger, financial vice president, New England Mutual Life Insurance Company, Boston.

Housing and Credit, by Albert M. Cole, administrator, Housing and Home Finance Agency.

What's Ahead for the VA Loan Guaranty Program, by Thomas J. Sweeney, director, Loan Guaranty Service, Veterans Administration.

Our Mutual Challenge in Building and Finance, by George S. Goodyear, first vice president, National Association of Home Builders.

Some Observations on Real Estate Today for Those Who Are Financing It, by Clarence M. Turley, president, National Association of Real Estate Boards.

Savings Banks and the Mortgage Market, by Crawford H. Stocker, Jr., president, National Association of Mutual Savings Banks.

Many who attended the Convention observed that the talks given were most timely and represented important contributions to current thinking about problems with a direct affect on the future of the mortgage industry. Copies of above talks requested will be sent promptly.

set in January-June, 1955. Consumer credit was still growing, and bank loans to business were greater than in any other January-June since World War II. More corporate securities were sold than ever before—15 per cent above the 1955 record, and the third quarter record promises to be even more impressive.

"Bank loans have also been expanding rapidly since June. Loans to business by leading banks are 21 per cent above September a year ago.

"It is true that the distribution of resources is never perfect. Some soft spots have developed even though the economy as a whole is moving forward practically at full speed. When there is vigorous competition for money, as there is today, not everybody can get all the money he wants. For example, mortgage money for home building is scarce in many areas. This is true despite the fact that mortgage lending is still going forward at close to all-time highs.

"What we all need to understand more fully, however, is that present money conditions are the natural outgrowth of the strong demand for capital. This heavy demand for capital has been moving interest rates up. The Federal Reserve has kept its discount rate in tune with market rates. As the custodians of the country's monetary reserves, they have thus helped to keep a proper restraint against excessive credit expansion."

Sherwin C. Badger, financial vice president of the New England Mutual Life Insurance Company, reminded us that money is now tighter than it has been in 25 years—but that the blame cannot be laid at the door of the federal monetary authorities.

"The present stringency is due not to the Federal Reserve's policy nor to the Government's fiscal policy. It is a reflection of prosperity and of the fact that the people of America as consumers and home owners, or would-be home owners; the businesses of America as producers, distributors or suppliers of services; and the governmental units of America have already borrowed the available savings of the country and are currently seeking to borrow at a rate that is higher than the creation of new savings. Money is therefore going to remain tight and very likely will get tighter until there is some change in the demand-supply relationship.

"It is not just that we are short of money. We are short of skilled labor, we are short of steel, the world is short of coal and shipping, to mention only a few critical items. A reversal of Federal Reserve policy, or the manufacture of more credit will not relieve these shortages. It will only raise the prices of the things that are available and particularly the things in short supply, including labor.

"If there aren't enough savings to go around, then some of the people, some of the businesses and very likely some of the governmental units that want to borrow in order that they may spend will have to postpone part of their plans. In some cases a high rate of interest may prove a mild deterrent to anticipated borrowing; but this deterrent will be small in most cases because of our income tax structure. The deterrent will be not the price of money but the availability of money.

"Unless there is a change in the relationship between the supply of and demand for savings, competition for what savings are available is certain to continue, if not to increase. You have already noticed it in your business, for recently bonds have been getting more attractive to many institutional investors as compared to real estate mortgages, particularly in more speculative types of building ventures.

"It may well be, particularly in the field of corporate business, that those who find it impossible or too costly

to raise money by borrowing will decide to raise money by selling stock. This taps a different area of savings than the bond market. I believe we are already witnessing instances where corporations are going to the stock market rather than to the bond market for new money."

The "easy money" school is in flight, Sherwin said.

"The routing of the easy money school has not been brought about by intellectual debate but rather by the hard facts and realities of economic life. Governments have discovered that they cannot control what people do with their money. It is the people who are the masters, not the government.

"If the people decide they would rather spend than save, then that is what they will do. If they decide to bid against each other for the goods and services that are available, then prices will go up and there is precious little that government can do about it. If they decide that they want to increase their spending power by borrowing, then the price of money as measured by interest rates will go up, prices of bonds and mortgages will go down—and again there is very little the government can do about it, if it resorts to the printing press.

"It is not for any lack of governmental powers that the price of British government 2½% Consols has dropped to 51. These bonds have dropped to these prices because nobody is willing to pay more for them in preference to other things that are available for their money. And the same thing is true of U. S. Government bonds, all but three issues of which are now selling at substantial discounts.

"Money is now tight in the United States, the tightest it has been for over 25 years. Money is tight in Canada, tighter than here. In fact, tight money is a world-wide phenomenon with rates of 10 per cent and higher not at all uncommon in many foreign countries. High interest rates are significant chiefly because they show that throughout the world there is a shortage of capital and savings, and that throughout the world the shortage of capital cannot be offset by a further expansion of bank credit without inflaming the fires of inflation which are burning everywhere."

Increased Rates? Hope Slim But No One Said "No" Emphatically and Definitely

THEY didn't say positively no—but certainly they didn't hold out much hope that anything would be done about FHA and VA interest rates. They were all there, the top government agency officials under whose jurisdiction FHA and the VA loan guaranty division operate. They did not sidestep the issue, and each one recognized that the subject was very much in the minds of those in the audience.

HHFA Administrator Cole, FHA Commissioner Mason and Loan Guaranty Director Sweeney agreed that if a change in the FHA rate should develop, then a concurrent change in VA was in order—and that can only be done by Congress.

Specifically, the MBA Convention heard—

Housing and Home Finance Agency Administrator Albert M. Cole say "I cannot forsee any action on FHA and VA interest rates, I do not believe we could do anything about one of them without doing something about the other. Only Congress can take the kind of action that would be equitable—and since the 85th Congress has not yet been elected, I refer not to speculate on any legislative decisions that might be forthcoming.

"But I can tell you that mortgage interest rates are being examined with the closest scrutiny. I am not just murmuring a conventional phrase when I say that. Interest rates are getting the attention they need, and particular attention is now being focussed upon the problems of the industry.

"Meanwhile homes continue to be built, and certainly an industry that will place between 1.1 million and 1.2 million housing units in construction during 1956 is far from being a sick industry. Builders are naturally disturbed by the drop from 1955. A few of them are in serious distress. A number of others are discouraged. But the industry is *not* discouraged. In fact, the home builders are showing a new determination and giving evidence that they will not be swept along with temporary adverse currents. Instead, they are learning to surmount the currents and use them to their own advantage."

FHA Commissioner Norman P. Mason said that an increase in the present 4½ per cent FHA interest rate would not be a practical move unless a similar increase could be made in the VA rate and the latter could come about only through action of congress. Further, he declared, "we have had no assurance from anyone that an increase in the interest rate would cause any more cash to be in circulation or insure more cash for home mortgage loans."

"In combination, the liberalizing actions of FNMA and the Home Loan Bank Board should help substantially to bring about a better supply of mortgage funds in the next few months, particularly for families in small communities and those in the market for lower-priced homes. It is these people for whom shortages of funds are most serious.

"The 2 per cent reduction made by FHA in its minimum down payment requirement for homes valued at $9,000 or less is intended to help such buyers. Last year 27¼ per cent of the new homes on which we insured mortgages were in this range, and 21 per cent of the older homes

—about 24 per cent of the over-all total. In some of our insuring offices homes in this value range represented well over half of the total. Let me hasten to point out that building in this price class is not confined to Southern climates where heating and the like is not so much of a problem. Michigan and New York are among the top States in this price range."

FHA is attacking the problems of home building on many fronts, Mason said, and one of the most important is to find ways and means whereby costs can be cut.

"We are cooperating with the home builders of the country in a vigorous campaign to bring down building costs. The reduction in the down payment required for lower-priced homes offers an incentive to builders to increase their efforts in this direction.

"With respect to the property itself, our purpose is to work with builders to provide a well designed, well located, and well built structure at minimum cost. This is the reason for our minimum property requirements. They are intended to cover the elements essential to soundness and livability. They are minimum standards only. But they are subject to revision if they seem unreasonable in any respect.

"We are reviewing them now to see whether any reductions in standards can be made without adversely affecting the value to the buyer.

"In the last two months we have made a survey to determine the extent to which FHA requirements affect housing costs. While it is too early to have the entire story, results for the first 12 key cities surveyed in different parts of the country indicate that from 22.4 per cent to 47.7 per cent of the cost of a house is added by the builder beyond FHA minimum property requirements, to make the house more attractive and marketable.

"These additional amenities, although unquestionably desirable, are not essential to the structural soundness of the house. It seems, therefore, that they offer a fertile field for exploration in cost savings. It's a good place to start looking.

"Estimated replacement cost of the 120 houses thus far analyzed averaged \$12,402—exclusive of land. If the same houses had been limited to the bare minimum property requirements of the FHA, the cost would have averaged \$7,521 — a difference of \$4,881 or 39.35 per cent of the cost as built. Three-fifths of the cost went to meet FHA requirements, two-fifths went into amenities.

"Another field for exploration is the cost of land. Raw land itself is less the problem than the cost of adding streets, water, sewers, and the like. Even with modern earth-moving equipment, the cost of developing land is high.

"We are currently making a study of mortgagors' incomes in relation to housing expense. At the beginning of a transaction, the home buyer in his first enthusiasm is likely to be over-optimistic about the amount he can pay and the sacrifices he is willing to make. Later on, housing expense that is too high can overcome his interest in continuing a struggle which he sees going on for many years."

Varying VA Rates for Different Parts of the Country Would Be a Headache

VA Loan Guaranty Director Thomas J. Sweeney declared that an increase in the VA rate would not in any way increase the supply of funds available for financing GI housing in the present market.

He said that of course an increase would divert some funds from other types of investment but would not increase the total amount of money available for all investment.

"The advocates of a completely flexible rate," Sweeney said, "argue that competition will keep the rates within reasonable bounds, and that complete flexibility will assure an even flow of mortgage credit into virtually all localities throughout the country. While this is one point of view, I hardly need tell you that it is not universally shared."

Commenting on the suggestion that the VA rate might be set in a varying basis, that is a different rate for different parts of the country, Sweeney said that "administrative complexities would plague us if VA had to set differential rates on a geographical basis."

An increase in rate to restore normalcy to the amount of funds going into the GI home mortgage field is up to Congress which alone can authorize a boost.

"The time for convening Congress is still a long way off and a great deal could happen to change the mortgage picture during the next several months," Sweeney said.

Crawford H. Stocker, Jr., president of the National Association of Mutual Savings Banks, also said that the real cause of many of the troubles of business today—all businesses, including the mortgage business—was that the American people are falling behind in saving and if our economy continues to expand at its present rate, there will have to be more savings to finance it.

"Saving 6 per cent of our income, as we did last year, is inadequate for this task. It forces recourse to short-term bank credit and the resulting inflationary spiral. An additional 2 per cent saved by the public would avoid the inflationary tendencies which the Federal Reserve authorities so clearly perceive.

"All thrift institutions have no task that is more important than to do their utmost to increase the rate of public savings to a figure that is adequate to meet the needs of our economy."

Turning to the question of whether the nation is too heavily indebted, Stocker said he does not believe this to be true.

"I have little concern about the ability of the individual to bear his present debt burden. At the close of 1955 the American people owed \$88.4 billion of mortgage debt on 1 to 4 family properties and \$36.2 billion of short and intermediate consumer credit. The total debt of roughly \$125 billion could have been extinguished in 7½ years at the rate of personal savings in 1955 and in 8½ years at the rate of liquid saving reported for that year, if no additional debt had been incurred. Their disposable personal income after taxes of \$270.6 billion provided a substantial margin for servicing the debt, both financing charges and amortization," he said.

Mutual savings banks will continue to favor mortgages, Stocker said.

"Last year the savings banks were able to acquire roughly $4 billion of mortgages, up from $3.7 billion in 1954 and $3.0 billion in 1953. Some institutions where deposits are growing more slowly or who believe that they have reached the desirable limit of mortgage holdings for the time being, are acquiring mortgages at a slower rate. But, by and large, savings banks will continue active in the mortgage market. The firming of money rates, while it may make new commitments in securities more attractive, has caused paper losses on present holdings and has raised question as to how far the trend may continue. I look for over-all bank interest in securities to depend greatly on, and vary inversely with, the availability of mortgages."

"It is generally agreed that 1962 will see the beginning of a sharply stepped up demand for housing in the nation as the war and postwar baby crop begins to come of age and family and household formation is accelerated. This will call for a vast increase in funds available for mortgage financing. But as mortgage portfolios meanwhile expand, normal repayments against existing mortgages will rise and will provide a substantial flow of funds that will naturally flow back into the mortgage stream and seek re-investment in mortgages."

A Threat in Tight Money Situation Is Prospect of More Direct Lending

Clarence M. Turley, president of the National Association of Real Estate Boards, was looking ahead—as many mortgage men are now in a similar vein—when he expressed the fear that the results of the present tight money situation in the mortgage market may create new demands for direct governmental lending and an expanded public housing program.

"Direct lending of government funds to private citizens is only slightly less objectionable than direct ownership by government of the homes of its private citizens. Direct ownership of homes is known as public housing and it is the policy that has become rather deeply ingrained in our federal bureaucracy despite the continued efforts of many of us over a period of years to dislodge it."

There is also the prospect that we may soon encounter demands for more public housing, Turley declared.

"The second great danger which is present in this situation is that the public housers and left-wingers will redouble their efforts for more public housing, particularly for the so-called middle income families. They will undoubtedly use the old familiar chant as their basic arguments. 'Private industry can't do the job!' 'All of these fine middle income families need and deserve decent homes but they cannot afford them because the grasping lenders are demanding too much of a down payment, too much interest, and too large a monthly outlay.' 'Since private industry can't—or won't—fill this vital need, the federal government must.'

"We do not know the total amount of savings which are necessary to maintain an adequate flow of mortgage money but we know one fact which, in no small measure, has reduced the total amount available and it is the amount which has gone into tax-free housing authority bonds in the past five years. Over $2,175,000,000 of these tax free bonds have been placed on the market and sold at average interest yields up to 2.83 per cent. For a corporate investor, subject to 52 per cent income tax, this is the equivalent of 4.782 per cent in comparison with a mortgage loan subject to income tax, not to mention the difference between receiving interest directly from the housing authority as compared with the servicing of a real estate mortgage loan.

"This is wrong in two respects, one, that it tends to reduce the available supply of funds for mortgage lending and other investments and secondly, that the purpose of the bonds is to finance an already highly subsidized unAmerican activity. I noticed a bank statement in a growing community where residential mortgage money is at a premium, where the bonds of these issues totalling over four millions of dollars was listed separately in its balance sheet, calling the public's attention specifically to this investment. Income tax free securities of this type and for such a purpose should be unalterably opposed by all thinking Americans."

George S. Goodyear, first vice president of the National Association of Home Builders, advanced an idea that is becoming to have more and more appeal for the nation's home builders—namely that what the industry needs, and must have, if it is to avoid the recurrent shortages of mortgage funds which have plagued it in the past is some new kind of central reserve facility similar to the federal reserve system, which will assure an adequate supply of funds to finance the nation's building needs.

The present shortage of mortgage money to finance home building is the latest in a series of similar events which have adversely affected the home building industry and the time has certainly come, Goodyear said, to take drastic action.

"We cannot have a sound housing economy without reasonable and readily available financing," he said.

The question of making more mortgage money available to building by freeing the FHA and VA interest rates from their present frozen 4½ per cent levels might not, he added, accomplish what its advocates believe it will. Further, it is unlikely that congress would approve of such action at this time.

What is needed is some federally-created central mortgage reserve facility similar to the federal reserve which would do for building what the federal reserve system does for the banking system. The need to organize such an operation is urgent, he said.

Esmond B. Gardner, vice president of the Chase Manhattan Bank, made one of the most valuable contributions to the MBA program. Removed from controversy in the way that the FHA-VA matter is controversial, Mr. Gardner gave the facts about the prospects for pension trusts becoming substantial buyers of mortgage loans—a subject that interests every mortgage originator.

"It is estimated that over $15 billion are now held in pension trusts and that the annual contributions presently exceed $2 billion. These

One of many correspondent-investor affairs at the Convention, the traditional maple syrup breakfast of National Life of Vermont.

figures reflect only the funds of pension trusts created by employers, or by unions, or by both under collective bargaining agreements, to provide retirement benefits. They do not include funds paid to life insurance companies, the funds of Federal, State or local Government pension plans, or funds paid in to welfare plans which provide health, accident or death benefits. Incidentally, the annual contributions to pension trusts have more than trebled in the last ten years and there is good reason to believe that growth will continue even though not at the same high rate. At the present time, there are about 18,000,000 union members and it is believed that about one-half are not covered by funded pension plans. It is also probable that the percentage of non-union employees who are not covered is even larger."

As to why pension trusts have not as yet gone heavily into mortgage loan investment, Gardner cited two primary reasons:

"The first is that the net interest return has not always been competitive with other forms of investment. It must be emphasized that the ability to sell the investment promptly without being subjected to heavy expense is part of the reason why mortgage interest rate should exceed the comparative rate on corporate bonds. There is good reason for a pension fund to seek the highest net yield consistent with reasonable safety as an increase in yield will either result in a substantial decrease in cost or permit an increase in the benefits. On an acturial basis, it is usually said than an increase of ¼ of 1 per cent in the rate of annual yield will result in a decrease of 5 per cent to 6 per cent in the cost or permit a similar amount of increase in the benefits."

Then there is the legal problem:

"There is the problem of 'doing business' in foreign states, that is states other than the state of domicile of the trustee. While a substantial portion of mortgage investments may be in the domiciliary state because of the trustee's more intimate knowledge of nearby real estate and because more opportunities may be available, it is nevertheless desirable to avoid a too heavy concentration in any one area. This policy eliminates too much dependence upon the economic conditions in one place, reduces the risk of physical destruction in the event of war, and minimizes the possibility of charges of favoritism toward any one area, particularly in connection with pension funds of nationwide organizations.

"Unfortunately it is not easy to cross state lines at the present time—a problem which does not exist in connection with corporate bonds. To show how complicated the matter may become, let us assume that a state has a reciprocal statute as to estates and trusts under a will, but that there is a specific prohibition against an out-of-state bank acting under a voluntary trust agreement and a pension trust is a voluntary trust. This assumed state may also have a statute which permits an out-of-state bank to lend money on mortgages on property within its boundaries and to foreclose if necessary. It is not expressly stated, however, that an out-of-state bank acting as a trustee is included. The assumed state may not have any statute relating specifically to leasebacks but the prohibition previously mentioned against acting under a voluntary trust prevents the taking of title to real estate directly in the name of the pension trustee. This may not conclude the matter, however, as the possibilities of taking title in the name of a corporation or of another trustee would then have to be explored. If a corporation should be formed, it will be exempt from federal income tax as 'feeder corporation' as all of its stock would be held by a tax exempt organization—the pension trust. The state assumed in this example may not grant a similar exemption and therefore the tax laws of the state would have to be examined and an effort made not only to provide for the amount of the present tax but also to provide for increases and for possible changes in the tax laws over the period of the lease which probably runs for many years. Other laws of the state would also have to be examined to determine if it is one of those which require that at least one of the corporation directors be a resident of that state."

MBA Election

JOHN F. AUSTIN, JR., *President*
JOHN C. HALL, *Vice President*

NEW president of MBA for the coming year is John F. Austin, Jr., president, T. J. Bettes Company, Houston and new vice president is John C. Hall, president, Cobbs, Allen & Hall Mortgage Company, Houston. Mr. Austin succeeds Lindell Peterson of Chicago and is the third Texan to be head of the Association. Mr. Austin's career has been in banking, government service and in the mortgage industry.

He began his career with the First State Bank of Frankston, Texas, following graduation from the University of Texas and the Graduate School of Banking at Rutgers University. He later became a state bank examiner in Texas and then served as senior bank examiner for the Federal Reserve Bank in Dallas.

In 1948, he joined T. J. Bettes Company, Houston, as executive vice president and following the death of Mr. Bettes was named president. He is a former president of the Texas and Houston Mortgage Bankers associations and is a director of the City National Bank of Houston, Harrisburg National Bank of Houston, First State Bank of Frankston and several local civic and charitable organizations.

Mr. Hall, elected vice president, is a native of Albany, Georgia. He graduated from the Georgia Institute of Technology in 1926 and began his business career in Birmingham with The Jemison Companies. He was later with the mortgage loan department of Metropolitan Life Insurance Company and in 1946 was one of the organizers of the firm which he now heads as president. He is a past president of the Birmingham Real Estate Board, the Alabama Real Estate Association and the Birmingham Mortgage Bankers Association.

John C. Hall

Others elected at the MBA annual meeting include:

Member of the board of governors for term ending 1957:

Edward F. Lambrecht, Detroit

Members of the board of governors for terms ending 1960:

Ehney A. Camp, Jr., Birmingham
Nathan T. Bascom, Worcester, Mass.
A. H. Cadwallader, Jr., San Antonio
Lon Worth Crow, Jr., Miami
Donald E. Nettleton, New Haven
F. M. Petree, Oklahoma City
Carton S. Stallard, Elizabeth N. J.

Elected regional vice presidents were:

Region 2—**Carey Winston**, Washington, D. C.
Region 4—**Arthur F. Bassett,** Detroit
Region 6—**R. G. Holladay,** Memphis
Region 8—**W. C. Rainford,** Granite City
Region 9—**Homer C. Bastian,** Wichita
Region 10—**J. W. Jones,** Dallas
Region 12—**R. C. Larson,** Beverly Hills, Calif.

Associate governors at large:

Region 2—**Martin R. West, Jr.,** Washington, D. C.
Region 3—**Eugene Knight**, Tampa
Region 4—**Stanley M. Earp,** Detroit
Region 6—**Robert W. Warren,** Jackson, Miss.
Region 8—**Dale M. Thompson,** Kansas City, Mo.
Region 10—**Alvin E. Soniat,** Fort Worth
Region 12—**Ewart H. Goodwin,** San Diego

Members of the Trust Committee:

Mrs. Ruth Bettes, Houston
Guy T. O. Hollyday, Baltimore

MONETARY AFFAIRS

(Continued from page 35)

on central banking were written at a time when the gold standard worked, does it mean that we have got to follow it slavishly?

We are living in an age where the government holds itself responsible to maintain the economy sound and growing. We have given up the idea of controlling the economy directly through price controls, wage controls and others. The principal instruments at the disposal of the government to influence business activity are monetary and fiscal in character. The question I have tried to raise is whether, in view of the changed economic and social conditions that prevail today, the Board has adequate powers to achieve the desired results and if not, what powers should it be given.

President's Page

THE YEAR AHEAD FOR MBA

IN TAKING over the helm of MBA, I want first to thank the Association's members for giving to me the duties, responsibilities and the honor of serving in this capacity.

MBA's history is one of constant, if not spectacular, progress. I think it would be well to state, at the beginning of this Association year, that maintaining this progress, through continued and improved service to the members, will be a primary aim of my administration.

John F. Austin, Jr.

We have a proven, capable staff in our Chicago headquarters; we have an excellent group of committees, manned by energetic and conscientious men who, I am sure, will give freely of their time and talents to the Association's work.

We have an excellent program of Clinics and Conferences scheduled for the year ahead which will, I believe, be of great value to those who take advantage of the opportunity to meet and exchange ideas and information with fellow mortgage men and experts in allied fields.

Today, as I see it, one of the most important tasks that we can undertake is to assist in getting the FHA and VA loan business back into a smoothly functioning order. A continuation of the effort to free interest rates on government insured and guaranteed mortgages, which has been so vigorously pursued by last year's President, Lindell Peterson, is of the utmost importance. It will be a big job, an important job; but with sincere effort and hard work we will succeed.

The Policy Statement on Housing and Housing Finance Legislation issued last year states our position very well but we must be alert to changing conditions which might require a change in our thinking.

The Special Committee on Dues Structure will study this situation and recommend adjustments that will bring this part of our operation into balance.

Success, as always, depends in large measure on the effort expended. I will give MBA my full and complete attention. The Headquarters staff will function in the excellent fashion which has characterized its past performance; and our committees will work on every phase of our activities. The rest depends on you; and here I ask you to give us your best cooperation.

I look forward to a rewarding year as President of MBA, one which will involve a great deal of work, a large measure of pleasure, and I hope a good degree of success which has come to be expected of MBA.

J. F. Austin Jr.

PRESIDENT

Meet Mr.

IT ISN'T often that a youngster, at the age of 10, is able to pinpoint his future business career—or, at least, not with any great degree of certainty. However, John F. Austin, Jr., MBA's newly-elected chief executive, is one who did.

Born in Palestine, Texas, November 12, 1908, John was the son of John F. and Sallie John Brown Austin, both of pioneer Texas families. When he was a year old, the Austin family moved to Frankston, Texas, where his father became president of the First State Bank of Frankston. And it was there that young John early decided upon banking as his future career. He began, when only 10 years old, by sweeping out his father's bank after school.

He continued working at his father's bank, in varying capacities, each and every summer until he was graduated from college. Actually, there was one slight interruption to this otherwise continuing record of summer work. One summer, John—having determined to seek his fortune in Kansas City—persuaded Troy, the family gardener who was a lad about John's own age, to accompany him; and together they set out in a jalopy John had purchased with money saved from his previous summers' earnings

The boys set out in June; in July, John was happily back at the bank ledgers and Troy, equally happy, was once again pushing the family lawn mower. The exact reason for their rather abrupt return remains—to this date—somewhat obscure. It could have been a result of the jalopy's unfortunate collision with a mule; or maybe it was the burden of supporting two boys on the income which John was able to eke from door to door selling magazines. John knows the answer, but he's not telling.

In 1929, John graduated from the University of Texas. Shortly afterwards, and soon after the death of his father, he became cashier of the Frankston Bank. It was during this period that his interest developed in the newly-instituted Graduate School of Banking at Rutgers University, the curriculum of which consisted of summer sessions, each of several weeks duration, with additional correspondence study, and a thesis required for graduation.

His training at Rutgers convinced John of two things: that he wanted to become a city banker; and that there was still a great deal he needed to know about banking. To implement his convictions, he applied for a position as assistant bank examiner with the State Banking Department of Texas. He was accepted and in a short time was made an examiner. In 1939, he became an assistant examiner with the Federal Reserve Bank of Dallas. A few months later, he was a fully commissioned senior examiner.

Constant travel, as a bank examiner, is an excellent way to learn a great deal about banking; it is also a good way to become well known in banking circles. In fact, there are not too many state or national banks in Texas which John has not examined or helped to examine at one time or another. This travel and experience has stood John in good stead—and may well be the responsible factor for the development of his phenomenal capacity for remembering names and faces.

It was during one of John's routine visits to Tuscon (the Federal Reserve District of Dallas includes parts of Arizona, New Mexio, Oklahoma and Louisiana, as well as Texas)—to examine the Southern Arizona Bank and Trust Company—that he met the charming, vivacious Helen Henry, who was to become his wife. A year's courtship, conducted primarily by long-distance telephone, culminated in their marriage in January, 1941.

Easter found the Austins in Houston, where John was supervising a bank examination. The people of Houston were both cordial and gracious, the azaleas were in bloom and the weather couldn't have been more delightful. Both John and Helen developed a strong attachment for the city. And, so, it was quite natural that when, the following February, the position of cashier of the South Texas Commercial National Bank of Houston was offered to John, the Austin family (by now daughter Mary Michael had arrived) was delighted to make the move to that city. They have never ceased to be happy over that move.

On Christmas Eve, 1943, son John arrived; and the following month John was promoted to vice president of his bank. In May, he received his commission as lieutenant, junior grade, in the Navy, being stationed ultimately in the finance division of the Office of the Under Secretary of the Navy. There followed a period of two years when the Austin family was separated most of the time.

With war's end and his return to his banking career, John became increasingly interested in the interim financing by banks of construction loans for the burgeoning home building industry. And in this connection he became acquainted with the late Torrey J. Bettes. By 1948, John was so completely occupied with the handling of loans from Bettes and other mortgage companies that the change in his career—from commercial banking to mortgage banking—was not as abrupt as might be imagined. It was an easy transition; and the beginning, in a sense, of a new career, a career which in the space of a few short years was to bring him to the forefront of the mortgage industry.

As executive vice president of the T. J. Bettes Company, John was to experience but a scant year and a half of pleasant and rewarding association with that colorful man whose name his company bears. The tragic, accidental death of T. J. Bettes did not, however, slow the growth of the company which he founded. That the confidence in John Austin, which

President

A new Association year means a new president takes over at the MBA helm. Mr. Austin is one of the youngest men who have succeeded to MBA's top post and heads the largest mortgage banking organization in the country. His career in banking and the mortgage field has been a varied and interesting one. His experience in our industry will be a valuable Association asset.

John F. Austin, Jr.

Mr. Bettes so openly displayed, was not misplaced, has been proved by the progress which the company has made since John became its second president. And, certainly, not the least among the contributing factors to this progress has been the trust and support given John by Mrs. Ruth Bettes and her daughter, Mrs. Bette King.

It must not be presumed that John's executive ability has been channeled into business activities alone. In his early college days, John learned to play tennis, a game that continues to rank as his favorite sport. And because John's enthusiasm for anything—a project, an idea—is of the type which just naturally communicates itself to those around him, he did persuade (during one of the summer vacation sessions at the bank) his younger brother and sister, as well as some other neighborhood youngsters, that since Frankston had no tennis court they should build one. And build one they did! Of course, they ruined John's mother's garden and almost dried up the family well; but they did finally complete an excellent clay court. John taught them all to play; in fact, he did such a masterful job of it with his sister that the next year she won the county championship for girls.

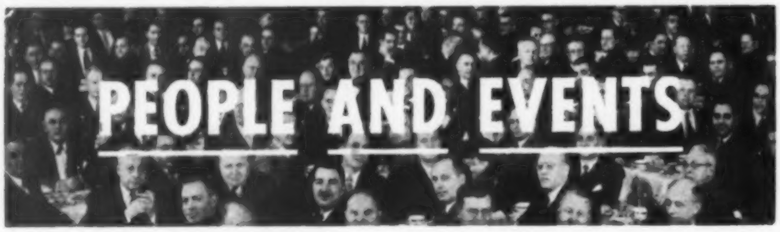
Through the years, John has always found time for community service to Houston. He has served as chairman of the Budget Committee and co-chairman of the Big Gifts Division of the Community Chest. He has been active on the board of directors of both the Light House for the Blind and The Better Business Bureau. He remains a member of the board of directors of the First State Bank of Frankston; and he serves, likewise, on the boards of the First City National Bank and the Harrisburg National Bank, both in Houston. He is a member of the Houston Club, The Petroleum Club and The Houston Country Club. He and his family are members of the Westminster Methodist Church of Houston.

John's contributions to mortgage banking as an industry and to MBA as an association are many. In MBA he has served as chairman of the GI Committee and vice chairman of the Membership Committee. Also, he has served on the Washington Committee, as chairman of the FHA Committee and as chairman of the Clinic Committee. He has been a Regional Vice President, Region 10; a member of the Executive Committee; and has served on the MBA Board of Governors. In addition, he is a past president of the Houston Mortgage Bankers Association and the immediate past president of the Texas Mortgage Bankers Association.

Likewise, John was the first recipient of the J. E. Foster Award, given each year to the Texas mortgage banker who, in the opinion of his associates, has contributed most to the industry.

John has been quick to accept the responsibilities thrust upon him by his state and national associations. He has given—and is giving—generously of his time and his ability for the good of the industry. He is alert to challenge. His sound business acumen, when matched with the warmth and easy cordiality so sincerely conveyed in his ready, open smile and soft, accented voice, complements perfectly the firmness of his handclasp—which in itself serves notice of inner strength and dependability.

Though the business year ahead in the mortgage field may not be the easiest ever faced by MBA members, the future of their Association need provoke no doubt or unrest. With confidence and with trust, MBA members may meet the year ahead, for in selecting as their 38th national president—John F. Austin, Jr., of Houston, Texas—they have chosen wisely and well.



Title Guarantee Company, Baltimore, elected **Joseph A. Watson** a vice president. He is an attorney and member of the Baltimore and State Bar Associations.

The name of **Pringle-Hurd & Co., Inc., New York,** has been changed to **J. Maxwell Pringle & Co., Inc.** and the firm will continue to do a coast to coast mortgage business. The resignation of Richard M. Hurd was announced. Vice presidents include Frank W. Fell, William F. Sey, Horace H. Hume, John F. Eleford and K. P. Wood, Jr. Conrad J. Sutherland is vice president and counsel, Arthur M. Hurd, vice president and treasurer. Assistant vice presidents are Gordon L. Canada, Joseph P. Farley; assistant treasurer is Frank L. Brown and Duncan A. Ryan, assistant secretary.

Herbert F. Philipsborn, president, of H. F. Philipsborn & Co., Chicago, announced that **Jules F. Fisher** was elected a vice president. Mr. Fisher has been engaged in real estate since 1924, specializing in the field of commercial and residential income properties. In 1929 he joined Baird & Warner in the sales department and was active in property management and mortgage departments. In 1939 he became associated with Quinlan & Tyson, operating in both the Evanson and Chicago offices.


Jules F. Fisher

As a realtor, Mr. Fisher has been active in real estate organizations and was president of the Evanston Real Estate Board in 1933, and was president of the Illinois Association of Real Estate Boards in 1937.

John D. Binkley, vice president, Chicago Title and Trust Company, was elected president of the American Title Association at the Association's 50th annual convention in Miami Beach. He succeeds Morton McDonald, president, The Abstract Corporation, DeLand, Florida.

Binkley has served on the governing boards of both the American and Illinois Title Associations. He is a member of the Chicago Bar Association and the Illinois State Bar Association, the Chicago Association of Commerce and Industry, Chicago Real Estate Board, Illinois State Chamber of Commerce, Chamber of Commerce of the United States, and Chicago Metropolitan Home Builders Association.

Robert B. Moore has been elected president of the Indianapolis MBA.

President of the Indiana Mortgage & Investment Co., Mr. Moore has been in the mortgage field since 1932.

Other officers elected are Robert W. Stockwell, vice president, and Russell Truitt, secretary-treasurer. Mr. Stockwell is vice president of the Union Title Co. Mr. Truitt is assistant vice president of H. Duff Vilm Mortgage Co., Inc.

One of the youngest executives attending the Chicago Convention was **David Olson,** who, at 22, is vice president in charge of mortgage loans of Harry H. Olson, Inc., Seattle. He has held this position since he was 21 and was the state's youngest real estate broker at 20. The mortgage industry, contrary to what some might believe, is absorbing the younger generation to a phenomenal degree.

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946, (Title 39, United States Code, Section 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF THE MORTGAGE BANKER, published monthly at Chicago, Ill., for Oct., 1956.

1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, Mortgage Bankers Association of America, 111 W. Washington St., Chicago 2, Ill.; Editor, George H. Knott, 111 W. Washington St., Chicago 2, Ill. Managing Editor, Robert J. Beran; and Business Manager, None.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) None.

3. The known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

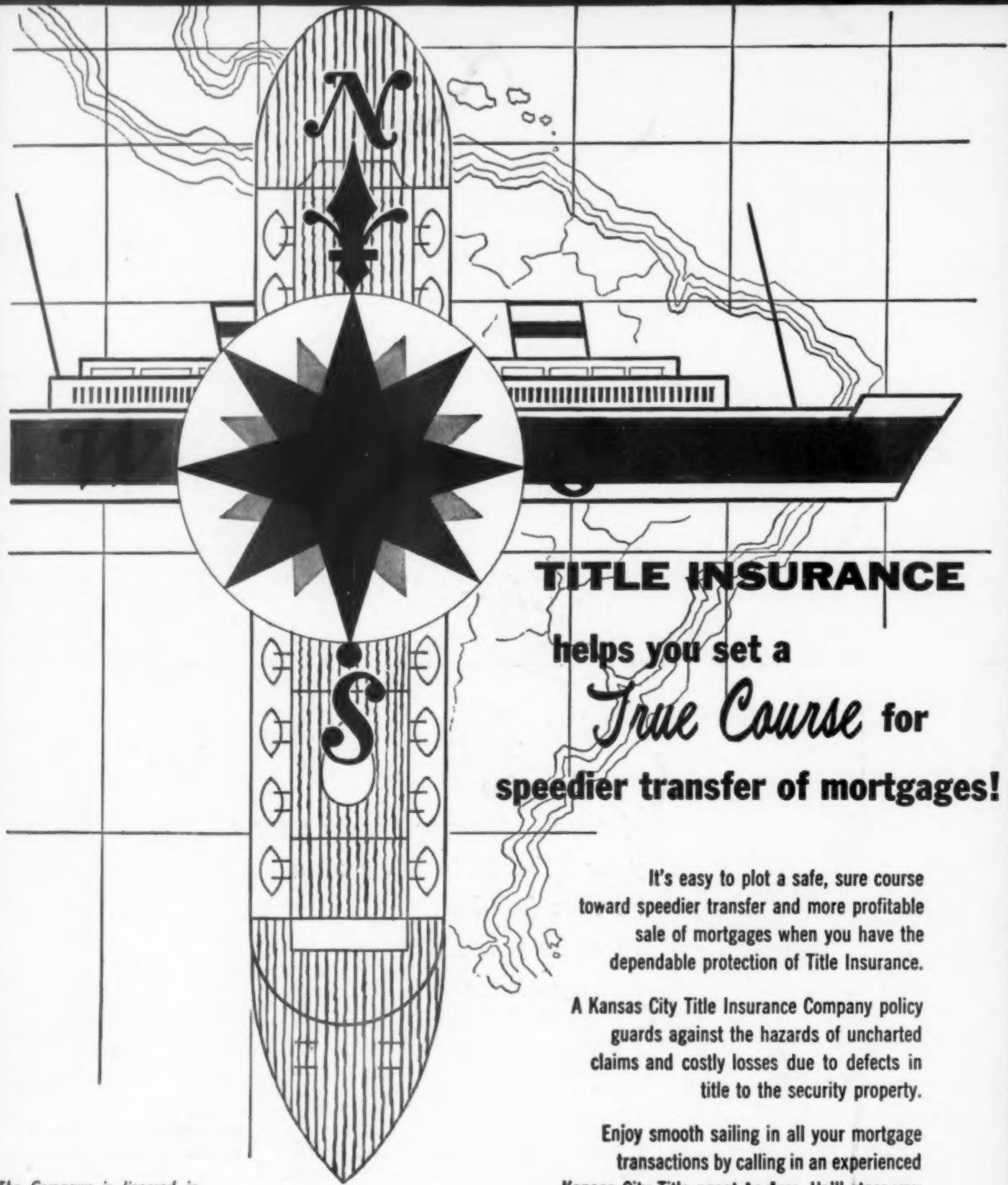
4. Paragraphs 2 and 3 include, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting; also the statements in the two paragraphs show the affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner.

5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, and triweekly newspapers only.)

GEORGE H. KNOTT
Editor

Sworn to and subscribed before me this 29th day of August, 1956.

Ruth Vinckas, Notary Public
(My commission expires November 29, 1958.)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